

**STRATEGIES TO ENCOURAGE HOUSING DEVELOPMENT IN KING  
COUNTY URBAN CENTERS**

**by**

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## EXECUTIVE SUMMARY

Concerned that problems associated with suburban sprawl posed a threat to regional quality of life, King County implemented a growth management strategy that curtails new development outside the Urban Growth Area while concentrating future growth within designated Urban Centers. According to Countywide Planning Policies, the Urban Centers shall absorb 25% of the County's new housing development over the next 20 years. While some Centers appear to have experienced strong growth, others have not. At the request of King County Benchmarks, this report outlines the key factors that influence housing growth in Urban Centers in King County, and identifies tools that local governments can use to encourage further housing development. The report treats Urban Centers broadly, and provides a foundation for future in-depth analysis of housing development in Urban Centers.

### ***Factors that influence housing development in King County Urban Centers***

This report reviews three overarching factors that influence feasibility for private sector housing development in King County's Urban Centers, including:

- **Site factors:** *issues regarding physical characteristics of a development location, e.g., the environment, "parcelization", land availability, and infrastructure that affect potential housing supply.*
- **Policy factors:** *issues regarding the regulatory context of a development location, e.g., zoning, codes, process, fees, taxes, and political climate that affect potential housing supply.*
- **Market factors:** *issues regarding the demand for a development project, e.g., demand for "urban living", and the demand for certain housing locations in the region.*

Factors themselves are neutral concepts that can be manipulated to either limit or encourage housing development, therefore influencing housing development either positively or negatively. They may either affect developer costs (site and policy factors) or potential returns (market factors). Similarly, some factors affect the supply of housing (site and policy factors) while others affect demand (market factors). Market factors have the strongest influence on housing development; in the absence of sufficient consumer demand, a development project is not likely

to occur, no matter how the site and policy factors are aligned. Each Center's unique qualities will produce housing growth at different rates. Housing growth will be slower in Centers that have a multitude of factors aligned to impede development, especially market factors that dampen consumer demand. Such Centers will require more effort on the part of public sector policy makers to align factors to encourage housing development and achieve the goals set forth in the Countywide Planning Policies.

### ***Strategies and Tools***

The public sector can influence the marketplace through strategies aimed at removing barriers and aligning key factors to encourage housing development. One strategy for aligning site factors to encourage housing development is to *upgrade infrastructure*, which may include streets, sidewalks, lighting, water lines and sewer lines. Since a developer often is responsible for such improvements, the city can reduce developer costs by upgrading infrastructure, thereby increasing the feasibility of a project. Another strategy for aligning site factors is to *acquire, assemble and prepare sites for development*. This strategy reduces developer cost and risk by providing sites that are already appropriate for development. Otherwise, the developer must weigh the costs and risks of negotiating with a number of different landowners, enduring environmental reviews and potential cleanup in order to put together a suitable site.

Strategies for aligning policy factors to encourage housing development include *revising codes to eliminate excessive standards*, which reduce developer cost and time. For example, highly rigid codes restrict a developer's ability to fit a product that satisfies consumer need into a particular location. If local land use codes are too burdensome, a developer may decide a project is not feasible in that particular location. Another strategy for aligning policy factors is to *mobilize civic leadership behind a strategic plan and vision*, particularly mayoral leadership. The vision and leadership of a mayor who makes housing a priority can bring together city government and key stakeholders to create a positive and proactive housing policy that will encourage housing development. At the same time, strong leaders act as policy champions to build support for a vision for development and advocate for key elements and resources.

Strategies that align market factors to encourage housing development include *enhancing amenities* through strategic public investment, in order to increase demand for Urban Center living. To attract residents, Urban Centers need to be great places to live. Key aspects of neighborhood quality include amenities like parks and public spaces, libraries and civic

buildings. If consumer demand for living in an Urban Center increases, private investment in housing development will follow. In some cases, where few other examples of housing exist in a Center, it may be necessary to *sponsor a demonstration project* to increase public awareness of the quality of Urban Center living, as well as increase awareness of the investment potential for housing development on the part of private developers who may otherwise be unwilling to take a risk in an untested market.

### ***Applications***

Each Urban Center is unique and contains a distinct set of factors influencing housing development within their specific context. However, this report treats Urban Centers broadly, providing wide coverage of King County's Urban Centers rather than delving into in-depth case studies. Still, this report applies strategies and tools to Centers that share relevant characteristics related to the factors described in this report.

Some Urban Centers are dominated by *commercial strip development*, including Tukwila, Federal Way, SeaTac, Totem Lake and Northgate. The commercial nature of these Centers reflects the intent to separate commercial development from residential areas by designating large areas for concentrated commercial use. Consequently, it is difficult to imagine living in such areas because they were never intended to be livable, thereby dampening market demand for housing in close proximity to them. Although these Centers face important barriers to housing growth, they also contain significant opportunities that do not exist in other Centers. For instance, these Centers contain large average parcel sizes, reducing the need for costly and risky land assembly. Useful strategies and tools for redeveloping Centers that feature large areas of commercial strip development may come from recent case studies on "greyfield" redevelopment, a term coined by the Congress for the New Urbanism to describe the revitalization of shopping malls that are in decline.

In contrast, other Urban Centers feature historic small-town "*Main Street*" appeal, including Auburn, Kent, Renton, Redmond and Burien. These Centers have retained some of the traditional character of their downtown commercial core, which reflect an era when downtowns were the center of civic life. These areas lost their vibrancy because suburban development fueled in part by highway construction drew away demand. Still, historic downtowns hold opportunities for housing development due to their unique character and pedestrian scale. However, two main factors serve as barriers to housing development: small lot sizes require

parcel assembly for many development projects, and the existing community may be against development in an attempt to preserve their “small town” character. Useful strategies and tools may be found in the “Main Street” Program put forth by the National Trust for Historic Preservation. Although its focus is primarily on economic development, the Main Street approach to revitalization has application to housing development as well.

Finally, cities with Urban Centers in *South King County*, including Auburn, Burien, Federal Way, Kent, SeaTac, and Tukwila, have lower demand as places to live when compared with Seattle and the Eastside. The relatively low median income and housing prices in South County cities suggests that developers would generate less revenue there than elsewhere in King County where housing commands a higher price. There may be several reasons explaining why demand is lower for these cities, including a prevailing negative perception of South County. With South County cities remaining relatively affordable, they have become home for many lower income households that are priced out of Seattle and elsewhere. Although the market will not support quantities of higher priced housing in these Urban Centers at this time, there may be resistance to the development of more affordable housing here if communities feel they already have taken on their fair share. Useful strategies and tools may include collaborating on marketing campaigns to highlight current assets, and investing in services that increase housing demand such as police and education.

# CHAPTER 1: INTRODUCTION

## 1.1 *Background*

Like many other urban areas throughout the country during the last half of the 20<sup>th</sup> Century, the growth pattern in the Puget Sound metropolitan region shifted away from central city areas and into low-density suburban areas. The dispersion of growth into suburban areas displayed many hallmarks of sprawl, which caused a disturbing set of regional problems, including “traffic congestion, air pollution, large scale consumption of open space, extensive use of energy for movement, inability to provide adequate infrastructure, shortages of affordable housing where new jobs are being created, and suburban labor shortages.”<sup>1</sup> The resulting problems related to sprawl have been slowly eroding the region’s cherished high quality of life. Regional efforts to manage growth gathered strength in 1990 with the passage of the Washington State Growth Management Act, which mandated that counties focus development in Urban Growth Areas and establish countywide planning policies to guide county and city comprehensive planning.

King County, the most populated county in the State of Washington and situated in the center of the Puget Sound region, adopted its Countywide Planning Policies (CPPs) in 1994. The CPPs established the Urban Growth Area for King County, provided the land use, transportation, economic development and critical areas framework for the county, and encouraged infill development into designated areas known as “Urban Centers”.<sup>2</sup>

The goal of the Urban Center strategy in King County is to create vibrant, compact mixed-use neighborhoods built around transit, which provides concentrated access to housing, jobs, amenities, activities, and transportation. To determine if this goal is met, Urban Centers have a collective target for job and housing growth: up to 25% of new housing and 50% of new jobs in King County should be established in Urban Centers by 2022.<sup>3</sup>

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<sup>1</sup> Downs, (1992) page 956. Downs identifies 10 traits that produce problematic sprawl: 1) unlimited outward extension of development; 2) low-density residential and commercial settlements; 3) leapfrog development; 4) fragmentation of powers over land use among many small localities; 5) dominance of transportation by private automobile; 6) lack of centralized planning or control of land uses; 7) widespread strip commercial development; 8) great fiscal disparities among localities; 9) segregation of types of land use in different zones; and 10) reliance mainly on the trickle-down or filtering process to provide housing to low-income households.

<sup>2</sup> Growth Management Planning Council, (2005). For a map of the King County Urban Growth Area and designated Urban Centers, please see Appendix A.

<sup>3</sup> Growth Management Planning Council, (2005).



To measure progress in implementing the CPPs, the King County Benchmarks Program produces an annual report that tracks 45 growth management indicators. According to their 2005 Land Use Report, between 1995 and 2004, the County's Urban Centers collectively drew roughly 19% of the new housing units permitted in the county. As well, 26% of the County's new jobs were created in Centers between 1995 through 2003.<sup>4</sup>

While some Centers appear to have experienced strong growth, others have not. However, because the goal for Urban Center growth in King County is collective, it is difficult to unpack either the factors of Urban Center success, or the factors of Urban Center stagnation. At the request of King County Benchmarks, this research addresses the following research questions:

- **What are the key factors that influence job and housing growth in Urban Centers in King County?**
- **What tools can local governments use to encourage further development of housing and jobs?**

The focus of the following report is only on *housing development*. It is complemented by the Degree Project of John Norris, which addresses *job growth*. The report treats Urban Centers broadly, and is intended to provide a foundation for future in-depth analysis of housing development in Urban Centers.

In order to answer these questions, this report is organized into six sections, followed by Appendices and References. The six sections are organized as follows:

1. **Introduction:** Presents the research questions, and provides the background and context related to the Urban Center Strategy and Growth Management in King County.
2. **Methodology:** Describes the methodology used in conducting this research.
3. **Urban Center Overview:** Identifies the relevant Urban Centers, and compares them generally in terms of major land use, population, employment and housing statistics. This chapter is supplemented by Appendix C, which describes each Center in greater detail, including noteworthy historical facts, qualitative descriptions of land use, open space, transportation connections, primary job sectors, current status and trends applicable to job and housing growth, and vision for the future.

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<sup>4</sup> Metropolitan King County Countywide Planning Policies Benchmarks Program: *Land Use Report*, (2005).

4. **Urban Center Housing Development:** Considers the various public and private actors involved in development activity, examines the decisions private developers face and the factors that influence development.
5. **Strategies and Tools:** Suggests potential strategies and tools for encouraging housing development in King County Urban Centers in relation to the factors outlined in Chapter 4, defines various Urban Center categories based on common features shared among certain Urban Centers related to land use, job sectors, transportation, etc., and connects relevant strategies and tools that cities can use to strengthen housing growth to these Center categories.
6. **Areas for Future Study:** Recommends areas for future study will be useful to policy makers.

## **1.2 Context**

### ***Postwar Regional Growth in King County***

During the postwar era, suburban development consumed two-thirds of the county's prime farmland. In the decades after WWII, a strong economy fueled largely by the Boeing Company provided jobs for local residents and attracted new growth. At this time, freeways were built to accommodate the new growth, including I-5 and I-90. New roads and freeways made travel faster and more convenient, reducing the costs of commuting and enabling consumers to enjoy cheap housing in the suburbs while paying less for transportation. Most of Seattle's eastside and northern suburbs came into being during the "Boeing boom".

After the recession of the 1970's, a new wave of economic growth hit the region. Growth in international trade increased the value of Seattle's port and the advent of the personal computer launched Microsoft as one of the nation's leading software and technology companies. Suburban office development transformed some of the older suburbs, replacing their small service-commercial base with large industrial campuses and office parks. The economic boom stimulated population growth and a subsequent demand for housing, which created residential growth on the metropolitan fringe and placed growth pressure on previously rural areas.

## ***VISION 2020***

In the late 1980s, local government officials and growth management activists began working on a regional plan that eventually became known as “VISION 2020”. Rather than being mandated by any state or federal law, it was developed by a regional planning agency called the Puget Sound Council of Governments (later becoming Puget Sound Regional Council). VISION 2020 responded to the need for a shared vision that fosters a range of strategies to conserve open space, improve transit and ride-sharing, reduce dependence on single-occupancy vehicles, and produce more efficient development patterns. VISION 2020 called for containing urban sprawl through the use of regional boundaries and a regional open space system. It organized urban development into compact communities, focusing on a hierarchy of central places, including urban centers throughout the region. VISION 2020 also called for the provision of a greater variety of housing choices, and the creation of a regional transportation strategy to include a high frequency, high-speed bus and rail transit system connecting the urban centers.

Concerned environmentalists proposed a statewide initiative to create a very strict growth management law, similar to the State of Oregon, which would have instituted centralized state control over land use. State officials instead passed the Washington State Growth Management Act, which emphasized local control of land use while providing a framework for growth management.<sup>5</sup> The law required the three largest counties in the Puget Sound region, King Pierce and Snohomish, to work together to craft a regional growth management plan. The counties decided to use the existing VISION 2020 plan.

### ***Growth Management in King County***

The Washington State Legislature passed the Growth Management Act (GMA) in 1990 to address the problems of uncoordinated growth, suburban sprawl, and unchecked development of environmentally sensitive lands. According to the GMA:

The legislature finds that uncoordinated and unplanned growth, together with a lack of common goals expressing the public's interest in the conservation and the wise use of our lands, pose a threat to the environment, sustainable economic development, and the health, safety, and high quality of life enjoyed by residents of this state. It is in the public interest that citizens, communities, local governments, and the private sector cooperate and coordinate with one another in comprehensive land use planning. (RCW 36.70.010)<sup>6</sup>

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<sup>5</sup> The GMA was strengthened in 1991 and amended several times since then to further define requirements.

<sup>6</sup> Washington State Growth Management Act, RCW 36.70A.010

The GMA requires that state and local governments manage growth by identifying and protecting critical areas and natural resource lands, designating Urban Growth Areas, and preparing and implementing comprehensive plans.

Importantly, the GMA does not centralize planning and decision-making at the state level, as mentioned above. Instead, the GMA established statewide goals, set deadlines for compliance, and offered direction on how to prepare local comprehensive plans and regulations. Building upon Washington's strong traditions of local government control and regional diversity, the GMA provides a framework that allows local governments many choices regarding the specific content of their comprehensive plans and development regulations.<sup>7</sup>

The GMA requires counties to focus development in Urban Growth Areas (UGAs) and requires counties and cities develop a set of policies to guide development of each jurisdiction's comprehensive plan. Cities maintain control over land use decisions, but local plans must be consistent within a countywide framework. Realization of a countywide vision involves collaboration, trade-offs and difficult choices about the appropriate level of growth, its location, and the type of growth to be encouraged.

Through the Growth Management Planning Council (GMPC), jurisdictions within King County work together to plan for economic and population growth in King County. The GMPC is a formal body, currently consisting of elected officials from King County, cities and towns in King County and special purpose districts. The GMPC developed and adopted the Countywide Planning Policies (CPPs), which provide the countywide vision mandated in the GMA and serve as a framework for each jurisdiction to develop its own comprehensive plan. The CPP's were adopted and ratified by the cities in King County in 1994.

### ***Countywide Planning Policies – An Urban Center Strategy***

The CPPs provided a framework for the Metropolitan King County Council when adopting the UGA in the 1994 King County Comprehensive Plan. In an effort to “limit urban sprawl, enhance open space, protect rural areas and more efficiently use human services, transportation and utilities”, most future growth and development is to occur within the UGA.<sup>8</sup>

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<sup>7</sup> The Growth Management Hearing Boards web site provides a helpful overview of the Growth Management Act.

<sup>8</sup> The Countywide Planning Policies can be found online at the King County Department of Development and Environmental Services web site: <http://www.metrokc.gov/DDES/gmpc/index.shtm>.

The CPPs also include a strategy for concentrating housing and employment growth in designated “Urban Centers” with access to high-capacity transit, and a wide range of other land uses such as retail, recreational, public facilities, parks and open space. Thus, the UGA and the Urban Center strategy work in tandem; the former limits low-density uncoordinated growth on the fringe of the metropolitan region, while the latter encourages that growth in high-density mixed-use urban areas connected by transit. This is one of King County’s primary strategies to coordinate and manage job and housing growth and combat some of the negative externalities of low-density metropolitan development.

The intent of the CPP is to encourage the growth of each Urban Center as a unique, vibrant community that is an attractive place to live and work, supporting efficient public services including transit, and responding to local needs and markets for jobs and housing. According to the CPPs, urban centers are designed to:

- Strengthen existing communities;
- Promote housing opportunities close to employment;
- Support development of an extensive transportation system;
- Consume less land with urban development;
- Maximize the benefit of public investment in infrastructure and services;
- Reduce costs of and time required for permitting, and
- Evaluate and mitigate environmental impacts.

The CPPs also outline several characteristics for Urban Centers. These characteristics speak to the intent of the CPPs and to the vision of vibrant, walkable, unique, 18-hour communities. They include:

- Intensity and density of land uses to support effective rapid transit;
- Pedestrian emphasis;
- Superior urban design that reflects the local community;
- Limitations on single-occupancy vehicle usage;
- A broad array of land uses and choices for employees and residents;
- Sufficient public open spaces and recreational opportunities; and
- Uses that provide both daytime and nighttime activities in the Center.

According to the CPPs, all Centers shall be up to one and a half square miles of land. King County projects over 150,000 new households and nearly 290,000 new jobs countywide by 2022.

In that time, Urban Centers should accommodate 25% of the county's housing growth, almost 38,000 new units, and 50% of the county's job growth, about 145,000 new jobs. As Urban Centers strive to take on their share of county growth and development, they grow at different rates. Infrastructure and services shall be planned and financed consistent with the expected rate of growth. The report that follows considers the factors that influence growth and development in Urban Centers in King County and suggests tools that cities can use to stimulate Center growth and development.

## **CHAPTER 2: METHODOLOGY**

This research was conducted jointly by Jeremy Valenta and John Norris, both Master of Public Administration Candidates at the Daniel J. Evans School of Public Affairs at the University of Washington. However, in order to satisfy the requirements for the degree of Masters of Public Administration, it was determined that it was most appropriate that individual degree projects be submitted that address portions of the research questions posed. Thus, as stated in the introduction section, this report makes findings and recommendation concerning factors that influence housing growth in King County Urban Centers, and the tools used to encourage further housing development. For findings and recommendations concerning job growth and development in King County Urban Centers, please reference the Degree Project authored by John Norris (2006), titled *Job Development in King County's Urban Centers: Factors that Influence and Tools that Incentivize Firm Location*. The authors worked jointly on certain sections of this project on behalf of King County Benchmarks, and these sections are shared in common by both reports. Much overlap exists in the research, description, findings and recommendations surrounding both job and housing development in King County Urban Centers. In order to fully understand the factors that influence growth and the tools used to encourage it, both papers should be referenced in connection with one another.

The research conducted to create the findings and recommendations for this report includes three primary methods: a survey of the literature, stakeholder interviews, and a descriptive statistical analysis of King County Urban Center data. All three of these methods were used to obtain as complete a picture as possible of the state of the Urban Centers in King County and the Urban Center Strategy as a whole. The remainder of this chapter describes these methods in greater detail.

### **2.1 Literature Review**

A literature review was completed first to determine what is already known about King County Urban Centers, what is happening locally, regionally and nationally concerning growth management strategies, economic development strategies and New Urbanist theory and application, and what sorts of factors and tools surrounding job and housing development have already been identified and analyzed. The literature review was conducted primarily using documents provided by King County Benchmarks, municipal websites that provided access to

comprehensive planning and economic development information, other various internet search engines and research websites, the University of Washington Graduate and Urban Planning libraries, the University of Washington online academic journal database, and documents and academic research provided by faculty and staff at the Daniel J. Evans School of Public Affairs at the University of Washington.

During this process, key pieces of literature were identified that helped direct the findings and recommendations for this report. This began with a review of the literature focused on compact, mixed-use development. Much of the vision for Urban Center design is consistent with New Urbanism and Smart Growth ideals. Notably, Calthorpe (2001) makes a strong case for transit-oriented development (TOD) as a solution to problems related to sprawl, whereby transit stops become the focus of new pedestrian-friendly development that includes dense housing and a mix of other uses.

King County Urban Centers themselves have also been researched and studied, most notably by the Puget Sound Regional Council (PSRC). PSRC has produced multiple documents about Urban Centers in King County, including their Milestones report (2002), Development Toolkit (2003), and Designation Criteria for Regional Growth and Manufacturing Industrial Centers (2003). As well, this report builds on the recent work of former University of Washington graduate students at the Evans School of Public Affairs, including that of Dugan (2002), Jennings (2003) and Vasche (2003). Dugan's report attempted to address specific "drivers" of development among the suburban King County Urban Centers, including the presence of natural assets and pedestrian friendly amenities prior to development and the demand for multi-family housing.

Dugan defines "drivers" as types of conditions that stimulate, or direct the movement of, actual on the ground change" in terms of Urban Center development, and then analyzes how the extent to which these drivers are present in each Center results in different rates of development.<sup>9</sup> The report that follows differs from Dugan's report in three main ways: it provides updated statistical information to reflect changes since 2002; it focuses on housing development specifically rather than addressing both jobs and housing; and it provides greater detail on the diversity of factors that may be influencing development either positively or negatively, in order to solidify the foundation for future analysis of Urban Center housing development.

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<sup>9</sup> Dugan, p. 17.



Also reviewed was literature about sprawl and growth management, especially as it is manifest in King County. King County's Urban Center strategy is outlined in its Countywide Planning Policies, and the Washington State Growth Management Act (1990) presents the growth management vision for counties and Urban Centers. As well, Downs (1999) cogently describes the problems of sprawl and the factors that contribute to it.

Also explored were texts and articles that featured economic development and property development in order to identify factors that influence job and housing growth. Miles (2000) provides a general overview on real estate principles and process, providing insight into developer choice. Kroll and Landis (1990) describe factors that influence firm location, while Blakley and Bradshaw (2002) look at planning issues surrounding local economic development. Since Urban Center development is essentially infill development and urban redevelopment, the literature review covered these development practices specifically, including the Blaeser et al (2002) article on barriers to infill development and best practices to overcoming these barriers, and Suchman's (2002) work on developing successful infill housing.

At the end of this report, a complete list of references is provided in the bibliography, which are annotated and organized by theme. Also provided is a list of useful web sites that can be referenced for additional information. Due to the fact that there are many areas of study that have fed into this research, including regional growth management, housing development, economic development, New Urbanism, municipal land use, tax and fiscal incentives, etc., the literature review and bibliography are no doubt incomplete. However, the sources referenced and cited have hopefully provided enough of the scholarly and practical foundation concerning Urban Centers and their growth so as to thoroughly inform this paper.

## **2.2 Stakeholder Interviews**

To understand the factors that influence job growth and the tools used by cities to encourage job growth, many individuals were interviewed, including: members of the local development community, Planning Directors in various King County cities, Economic Development Managers in various King County cities and Economic Development Managers at King County. These interviews were conducted either in person or via the telephone. All persons interviewed were asked roughly the same sets of interview questions so that similarities and differences could be analyzed between interviewee responses. Three sets of interview questions were developed, one for Planning Directors, one for Economic Development

Managers, and one for members of the development community. For a listing of the sets of interview questions, please see Appendix D: *Stakeholder Interviews*.

John Norris and Jeremy Valenta divided the interviews, in order to interview as many stakeholders as possible given a short amount of time. However, it should be noted that not all the Planning Directors and Economic Development Managers that have Urban Centers in their cities were interviewed. Due to time constraints, it was determined with King County Benchmarks that interviews would be conducted with those Planning Directors and Economic Development Managers who worked in cities with “representative” Urban Centers. Urban Centers were determined to be representative based on various characteristics such as predominant center land use, center transportation characteristics, center success at attracting new job and housing growth, center failure at attracting new job and housing growth, etc. Although not without fault, this method of conducting interviews seemed to provide the most coverage for gaining information about Urban Centers in King County, given their very different demographics, geographic locations, markets, and primary uses.

## **2.3 Qualitative and Quantitative Data Analysis**

In addition to the literature review and stakeholder interviews, descriptive statistical analysis was completed so that the qualitative and quantitative data collected could depict a snapshot of each individual Urban Center in King County and inform the findings and recommendations of this paper. This began with a qualitative and quantitative data collection process from many sources. Most quantitative Urban Center data was provided by King County Benchmarks and originally obtained from either PSRC or cities in King County. Both John Norris and Jeremy Valenta obtained qualitative data via Urban Center site visits and Internet research.

The quantitative Urban Center data that was collected includes Urban Center population, housing units, households, employment and size characteristics, including center size, blocks and parcels. Most of the data points collected begin in the year 1990 and extend until 2004. However, yearly data does not exist for almost all of the Urban Centers until the year 2000. Thus, between 1990 and 2000, data points were collected every five years, in the years 1990, 1995 and 2000.

It should be noted that there are some limitations in the quantitative data that was collected. Some of the data points have been estimated for their current year, such as Urban

Center population, which uses 2000 census tract population data to estimate 2004 Urban Center population. As well, quantitative data for every year does not exist for all designated Urban Centers. This is primarily due to the fact that not all King County Urban Centers were designated at the same time. The most recently designated Urban Centers, Auburn, Burien, and Totem Lake, only have employment and housing data beginning in 2002, for example. In general however, the quantitative data is accurate, and provides a framework for understanding Center activity and demographics.

The qualitative Urban Center information presented in Appendix C includes a physical description of the Center, transportation features and defined open space, the historical background of the Center, the vision for the Urban Center as defined in the city's comprehensive plan, and the overall Center assets and liabilities. All qualitative information was collected to provide a greater understanding of the area, uses, and activities that take place in the Urban Centers, and to provide King County Benchmarks with an inventory of Urban Center characteristics.

## **2.4 Analytic Framework**

It was first hoped that the collection of quantitative data on each Urban Center would determine which Centers were experiencing strong growth and pinpoint the driving forces behind it, building on the work of Dugan, Jennings and Vasche. However, several problems emerged. First, the growth target in the CPPs is held by all Urban Centers collectively. Thus, it is possible to track how many new housing units are built and how many new jobs are created (or eliminated) in individual Centers each year, but it is impossible to determine individual Urban Center success due to the fact that the CPPs have no individual targets for Urban Center success. Also, a plan to use quantitative data to convincingly connect successful Centers with key factors that influence job and housing growth was beyond the scope of this project.

Therefore, it was determined that using two of the three identified research methods (review of the literature and stakeholder interviews) to help identify factors that influence housing development, and the strategies and tools that cities in King County and elsewhere use to encourage housing development, would be the most useful way to answer the posed research questions. The Housing Development Matrix (Table 5.1) links the factors that influence housing development to goals, strategies and tools for housing development. This analytic framework

provides a way to synthesize the various goals, strategies and tools that are being used, or can be used, to develop greater Urban Center housing now and in the future.

Each Urban Center is unique, but most have important elements in common with other Centers. For example, the land use pattern in some Centers is dominated by strip malls, parking lots, and other auto-oriented commercial development. These Centers will need far different strategies to encourage infill housing and job development than other Centers that have a historic downtown core, for example, which preserves an agreeable pedestrian scale. Based on these distinctions, not all tools and strategies identified in the Housing Development Matrix will be applicable to all Urban Centers. This report therefore attempts to apply the Housing Development Matrix to identified categories of Urban Centers to determine if any of the strategies and tools that are presented are transferable between Centers in the same category. This alignment will also be correlated with quantitative Urban Center data to determine if categories of Urban Centers have been more successful at achieving housing growth than others. This, along with the Housing Development Matrix and supporting text, should provide some answers to the posed research questions.

## CHAPTER 3: KING COUNTY URBAN CENTER OVERVIEW

In order to better understand the factors that influence job growth and the strategies and tools cities can use to encourage it, it is important to first understand the individual characteristics of all the Urban Centers in King County. As just mentioned, each Urban Center is unique, and have many different traits related to historical contexts, land uses, transportation features, housing types, employment sectors, and population. Describing these traits will provide a solid background of the Centers, and will lead to the discussion of categories of Centers in Chapter 5.

As of May 2006, King County contains sixteen Urban Centers, although this report only covers fifteen (South Lake Union was just recently designated as an Urban Center, and therefore very little data exists)<sup>10</sup>. Additionally, the Overlake neighborhood in Redmond will likely be designated an Urban Center in the near future.<sup>11</sup> The sixteen currently designated Urban Centers are identified below in Table 3.1.

**Table 3.1: Designated King County Urban Centers**

Urban Center	City Located In	Year Designated by GMPC
Downtown Auburn	Auburn	2003
Bellevue Central Business District (CBD)	Bellevue	1994
Downtown Burien	Burien	2004
Federal Way CBD	Federal Way	1994
First Hill/Capital Hill	Seattle	1994
Kent CBD	Kent	1994
Northgate	Seattle	1994
Redmond CBD	Redmond	1994
Renton CBD	Renton	1994
SeaTac CBD	SeaTac	1994
Seattle CBD	Seattle	1994
South Lake Union	Seattle	2005
Totem Lake	Kirkland	2002
Tukwila CBD	Tukwila	1994
University District	Seattle	1994
Uptown/Seattle Center	Seattle	1994

As described in section 1.2, the CPPs include a strategy for concentrating housing and employment growth in designated Urban Centers with access to high-capacity transit and a wide

<sup>10</sup> All information and data in this report are based on the fifteen Urban Centers designated prior to 2005.

<sup>11</sup> GMPC April 26, 2006 meeting minutes.

range of other land uses such as retail, recreational, public facilities, parks and open space. Typically, the Centers should be focal points within their cities and urban areas, and should be readily accessible from other points in the County. Most of the Centers are identified as either “Downtowns” or “Central Business Districts”, as these are areas where there has historically been an intensity of land use, especially for commercial purposes, a pedestrian emphasis, multiple transportation connections and mix of residential and commercial uses. All of these are defined in the CPPs as traits by which Centers should be characterized.

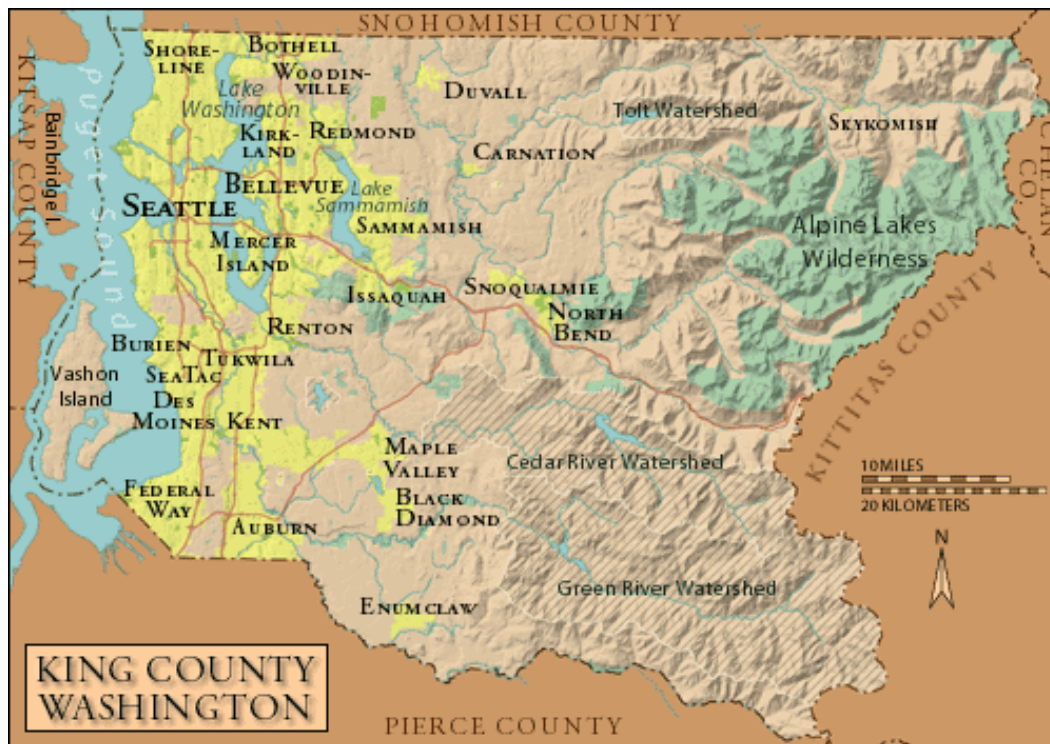
The remainder of this chapter will look at King County Urban Centers collectively and in relation to King County as a whole. For individual qualitative and quantitative descriptions of each Urban Center, please refer to Appendix C: *Qualitative and Quantitative Urban Center Description*. Appendix C briefly describes each Urban Center and provide data and information concerning Urban Center housing, employment, transportation connections, history, and Comprehensive Plan vision. Additionally, Appendix C provides maps identifying the boundaries of each Center and images that visually capture the Centers.

For additional descriptive information about most of the designated Urban Centers in King County, the Puget Sound Regional Council’s *Central Puget Sound Regional Growth Centers 2002* report is an excellent resource. Much of this chapter uses that report as a starting point, and attempts to update and augment the information provided. Due to the fact that the report was published in 2002, three currently designated Urban Centers (Auburn, Burien and Totem Lake) were not included in it, as they were not designated until after 2002. Thus, the Quantitative and Qualitative Urban Center Description Section of the Appendix will provide descriptive information about these Centers, in addition to providing other relevant information about each of the Urban Centers.

### ***Urban Center Land Use in Relation to King County***

King County has a total area of 2,307 square miles, and is the 11th largest county in Washington State by area. 2,126 square miles of the county is made up of land and 180 square miles of it is water, accounting for 7.82% of the total area. Much of the landmass of King County is rural in nature, and encompasses mountains, wilderness, watersheds, and natural resource extraction areas.

Figure 3.1: King County



All Urban Centers in King County are within the Urban Growth Area (UGA), and in 2000 represented just over 3% of that land.<sup>12</sup> For a map of the King County Urban Growth Area and designated Urban Centers, please see *Appendix A*. Table 3.2 identifies the amount of land that Urban Centers occupy in relation to the UGA and the County as a whole.

Table 3.2: King County Urban Center Land Use

King County Total Land Area (Sq. Miles)	UGA Land Area in 2000 (Sq. Miles)	Percent of King County in 2000 UGA	Urban Centers Land Area in 2000 (Sq. Miles)	Percent of Urban Centers in 2000 UGA
2,126.1	457.7	21.53%	14.00	3.06%

<sup>12</sup> PSRC Central Puget Sound Regional Growth Centers 2002.

### ***King County Buildable Lands Evaluation Report***

The King County Buildable Lands Program, which collects data annually to determine the amount and density of new development in King County, also produces the *Buildable Lands Evaluation Report* every five years. This report determines the amount of land suitable for urban development and evaluates its capacity for growth based upon measurement of five years of actual development activity. The *Buildable Lands Evaluation Report* was last produced in 2002, and is currently being updated for its 2007 publication date.<sup>13</sup>

According to the report, the Buildable Lands Program strives to answer four key questions:<sup>14</sup>

- What is the amount and actual density of growth in recent years?
- Is the capacity of the land supply adequate to accommodate current growth targets?
- Has development occurred at densities consistent with planning assumptions and targets?
- Are urban densities being achieved within the Urban Growth Area?

The Buildable Lands Program and Evaluation Report are relevant to land use in the King County UGA and King County Urban Centers as they monitor population, household, housing unit and employment growth in King County, and identify land supply and capacity within the UGA. These findings have significant impact on the Urban Center strategy, as they identify trends that help drive development (especially housing development) in Urban Centers.

### ***Urban Center Population in Relation to King County***

King County has one of the largest populations of any county in the country. It is the largest county in the State of Washington and the 14<sup>th</sup> largest in the United States. With a total population of almost 1.8 million, this jurisdiction has seen significant population growth in the past and is expecting continued growth in the future. King County has 40 municipal jurisdictions, from Seattle with nearly 600,000 residents, to Unincorporated King County with roughly 360,000, to tiny Beaux Arts, with around 300 residents. Of the cities with designated Urban Centers, only one, Tukwila, has less than 20,000 residents. *Appendix B* shows all the jurisdictions in King County with their population ranges.

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<sup>13</sup> King County Buildable Lands Evaluation Report, September 2002. For further information about the King County *Buildable Land Evaluation Report*, please refer to their website, identified in *Appendix E: List of Useful Websites*.

<sup>14</sup> King County Buildable Lands Evaluation Report, September 2002



The current Urban Center population in King County is very small relative to those people living outside Urban Centers. Only 6.1% of the population in King County lived in designated Urban Centers in 2000, and only 6.5% lived in designated Urban Centers in 2004.<sup>15</sup> Table 3.3 provides greater detail about Urban Center population, the population in King County, and population growth in both areas.

**Table 3.3: King County Urban Center Population**

<b>King County Population 2004</b>	<b>Urban Center Population 2004</b>	<b>% County Population in Urban Ctrs. 2004</b>	<b>% Change in King County Population 1990 - 2004</b>	<b>% Change in Urban Center Population 1990 - 2004</b>
1,788,300	116,772	6.5%	15.2%	37.9%

### ***Urban Center Employment***

In 2003, covered employment in King County totaled 1,078,012 jobs. During that same year, covered employment in King County Urban Centers collectively totaled 351,478 jobs, roughly one third the total employment in the County. However, as stated in the introduction, between 1995 and 2003, 36,018 new jobs were created in Urban Centers, whereas 137,129 jobs were created countywide. Thus, jobs located in Urban Centers accounted for only 26% of the new job growth in King County. Although this eight-year timeframe is short of the 20-year CPP planning horizon, this percentage is well below the target of 50%. Individual King County Urban Centers have also had various rates of employment growth over the last decade, with some Centers experiencing very high levels of growth and other experiencing very little growth. Between the years 1995 and 2000 for instance, employment in Redmond's Urban Center grew by 158%, while employment in Kent's Urban Center actually dropped slightly. Although Kent has had greater job growth in recent years, and Redmond experienced a major employment center moving into their Urban Center in this time frame, this example highlights the unevenness in Urban Center employment growth.

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<sup>15</sup> Estimated provided by King County Benchmarks.

It should be noted that most Urban Centers experienced employment loss beginning around 2001. This corresponds to the overall trend in King County, which experienced a job loss of 68,931 jobs between 2001 and 2003, and the overall trends nationally. Much of this job loss can be attributed to the economic recession in the United States, and specifically in the Puget Sound region at that time, and should not be directly attributed to negative factors in King County or King County Urban Centers. The following table highlights trend data for King County Urban Center employment, and provides the percentage change in employment between various years.

**Table 3.4: King County Urban Center Employment**

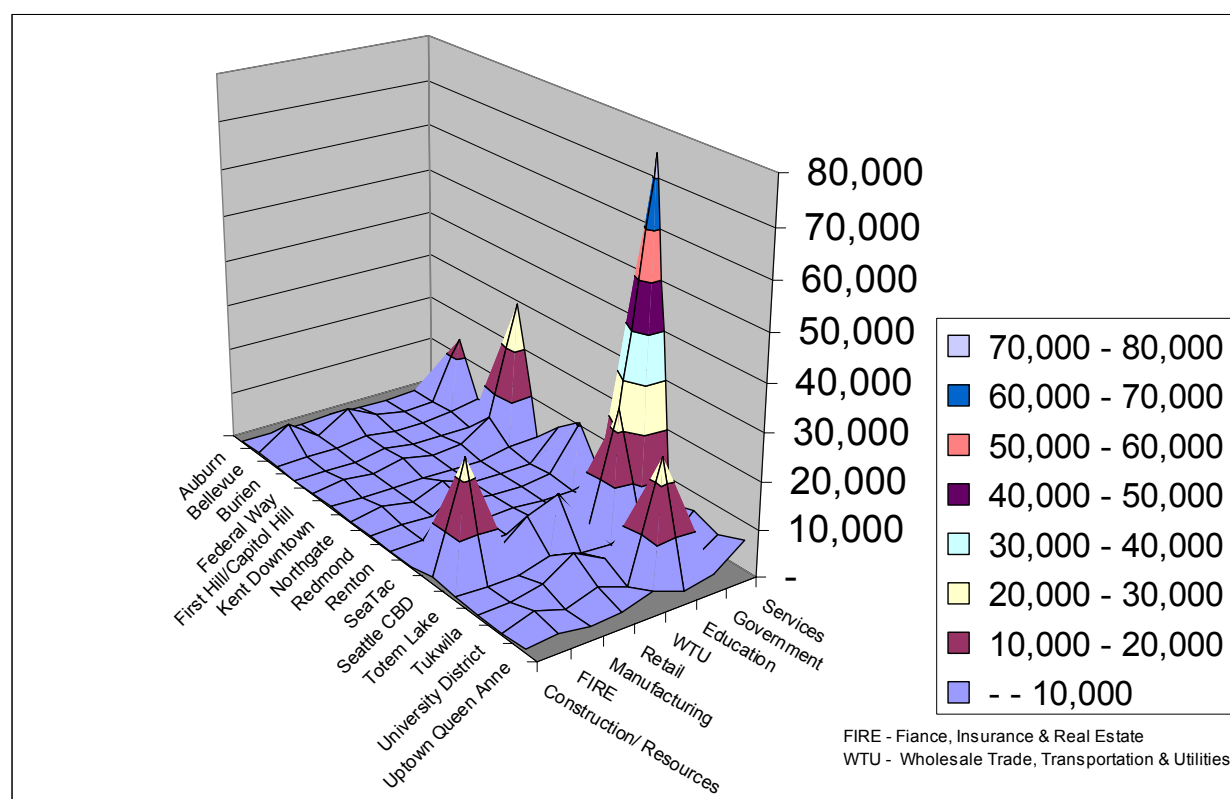
	<b>1995</b>	<b>2000</b>	<b>2003</b>	<b>% Change 1995-2000</b>	<b>% Change 2000-2003</b>	<b>% Change 1995-2003</b>
<b>Auburn</b>	No Data	No Data	2,801	n/a	n/a	n/a
<b>Bellevue</b>	23,088	31,221	27,341	35.23%	-12.43%	18.42%
<b>Burien</b>	No Data	No Data	4,420	n/a	n/a	n/a
<b>Federal Way</b>	3,186	3,870	3,816	21.47%	-1.40%	19.77%
<b>First Hill/ Capitol Hill</b>	32,399	37,062	39,461	14.39%	6.47%	21.80%
<b>Kent</b>	3,100	3,085	4,052	-0.48%	31.35%	30.71%
<b>Northgate</b>	9,432	10,985	10,890	16.47%	-0.86%	15.46%
<b>Redmond</b>	4,025	10,417	13,576	158.81%	30.33%	237.29%
<b>Renton</b>	14,006	16,452	11,498	17.46%	-30.11%	-17.91%
<b>SeaTac</b>	7,064	8,589	8,723	21.59%	1.56%	23.49%
<b>Seattle Downtown</b>	138,151	172,932	148,924	25.18%	-13.88%	7.80%
<b>Totem Lake (Kirkland)</b>	No Data	No Data	12,035	n/a	n/a	n/a
<b>Tukwila</b>	17,047	20,366	18,324	19.47%	-10.03%	7.49%
<b>U-District</b>	28,329	33,006	33,159	16.51%	0.46%	17.05%
<b>Uptown/ Seattle Center</b>	16,377	16,788	12,458	2.51%	-25.79%	-23.93%
<b>Total Urban Center</b>	<b>296,204</b>	<b>364,773</b>	<b>351,478</b>	<b>23.15%</b>	<b>-3.64%</b>	<b>18.66%</b>

In addition to variation in job growth, King County Urban Centers also vary by job sector. Using data obtained from PSRC, the identified job sectors used in this paper are Construction/Resources, FIRE (Finance, Insurance and Real Estate), Manufacturing, Retail, WTU (Wholesale Trade, Transportation & Utilities), Education, Government and Services<sup>16</sup>. In 2004, the predominant employment sector in most Centers was Services, but there was also some variation between Centers in the level of this sector compared to other sectors. For instance, 75% of First Hill/Capital Hill's employment was in the Service sector, while only 39% of Kent's

<sup>16</sup> PSRC provided data to King County Benchmarks, which were used in this report.

was. As well, two Urban Centers, the University District and Renton, had other predominant employment sectors: Education and Manufacturing respectively. Due to the fact that these two Urban Centers had two large institutional employers located in them, the University of Washington and the Boeing Company, employment was dominated by these identified sectors. The bar graph displayed in Figure 3.2 visually shows employment levels for each King County Urban Center by job sector. As well, additional graphs that show job sector for each Urban Center are provided in the Qualitative and Quantitative Urban Center Description Section of the Appendix.

**Figure 3.2: 2004 Employment in King County Urban Centers by Job Sector**



### ***Urban Center Housing***

In 2004, King County contained 784,800 housing units, with 93% of those existing in urban areas.<sup>17</sup> About 9% of the county's total housing exists in designated Urban Centers, despite

<sup>17</sup> 2005 King County Annual Growth Report.

covering just 3% of the Urban Growth Area.<sup>18</sup> From 1995 to 2004, the number of housing units in King County increased 12%, up from 699,200 units as reported in the *King County Annual Growth Report*.<sup>19</sup> In comparison, Urban Centers contained 53,085 units in 1995, and increased to 72,849 units in 2004. However, a portion of the increase in Urban Center housing from 1995 to 2004 can be attributed to the addition of three newly designated Centers: Totem Lake (2002), Auburn (2003), and Burien (2004). Subtracting the housing units of these three Centers from the equation, this represents a 17% increase in Urban Center housing from 1995 to 2004.

**Figure 3.3: King County Urban Center Housing Growth, 1995 - 2004**

	# units 1995	# units 2004	# change '95 - '04	% change '95 - '04
<b>Auburn*</b>	No data	1,087	N/A	N/A
<b>Bellevue</b>	1,000	3,599	2,599	260%
<b>Burien*</b>	No data	1,077	N/A	N/A
<b>Federal Way</b>	200	846	646	323%
<b>First Hill/Capitol Hill (Seattle)</b>	21,707	23,826	2,119	10%
<b>Kent</b>	306	708	402	131%
<b>Northgate (Seattle)</b>	3,522	3,688	166	5%
<b>Redmond</b>	335	1,275	940	281%
<b>Renton</b>	996	1,047	51	5%
<b>SeaTac</b>	3,238	4,073	835	26%
<b>Seattle Downtown</b>	11,345	16,469	5,124	45%
<b>Totem Lake (Kirkland)*</b>	No data	2,944	N/A	N/A
<b>Tukwila</b>	11	2	(9)	-82%
<b>U-District (Seattle)</b>	6,419	7,244	825	13%
<b>Uptown/Seattle Center</b>	4,006	4,964	958	24%
<b>Total</b>	<b>53,085</b>	<b>72,849</b>		

\* Auburn, Burien and Totem Lake received their Urban Center status after 1995.

Because each Center is unique, it gains new housing at different rates and in different amounts than every other Center. Figure 3.3 shows the increase in new housing units for Urban Centers between 1995 and 2004. Between 1995 and 2004, Seattle Downtown gained 5,124 units, leading all Centers in housing growth. Bellevue gained 2,599 and First Hill/Capitol Hill (Seattle) gained 2,119 over the same period. These three Centers combine for two thirds of housing

<sup>18</sup> 2004 *Land Use* bulletin from King County Benchmarks. The total for 2004 is based on the number of existing units confirmed at the end of 2003, less units demolished in 2004, plus new units permitted in 2004. In addition, Tom Hauger provided updated data for the City of Seattle.

<sup>19</sup> 2002 King County Annual Growth Report.

growth over this period. Federal Way, however, displays the highest growth rate by an Urban Center, with a 323% change over the period. Redmond (281%) and Bellevue (260%) also show relatively high growth rates for their Centers.

The important concern from the perspective of the CPPs is whether Urban Centers achieve the County's housing target and account for 25% of all new housing development in King County over a 20 year planning horizon. This will be difficult to forecast from the given data that covers the past 10 years, since it is hard to say how the next ten years will play out. To date, however, Urban Centers have accounted for just over 17% of new housing in King County, with the housing units for the three newest Centers removed from the equation.<sup>20</sup>

### ***Urban Center Characteristics***

Table 3.5 summarizes important general characteristics for each of the Urban Centers discussed in this report, including: population, size, number of housing units, number of jobs, the ratio of jobs to housing, the major job types, and the types of transit options that are present. It provides a useful overview for quick comparison of each Center in relation to one another. The columns highlighted in yellow feature statistics related to housing. For more data on individual Urban Center characteristics, please see Appendix C.

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<sup>20</sup> Between 1995 and 2004, Urban Centers saw an increase of 19,764 new housing units. In 2004, Auburn, Burien and Totem Lake combined for 5,108 total units. Removing these, the remaining Centers gained 14,656 housing units, compared with 85,600 new units for the County as a whole.

Table 3.5: 2004 Urban Center Characteristics Matrix

	Population <sup>21</sup>	Size (acres)	# Housing Units	# Jobs	Jobs per Housing Unit	Largest Job Sector <sup>22</sup>	Transit Options <sup>23</sup>
<b>Auburn</b>	1,400	233	1,087	2,869	2.64	1	B
<b>Bellevue</b>	3,600	432	3,599	26,062	7.24	1	A
<b>Burien</b>	1,750	353	1,077	4,263	3.96	1	A
<b>Federal Way</b>	600	209	846	3,431	4.06	1	A
<b>First Hill/ Capitol Hill</b>	34,200	919	23,826	39,532	1.66	1	C
<b>Kent</b>	900	309	708	3,746	5.29	1	B
<b>Northgate</b>	5,750	466	3,688	11,001	2.98	1	C
<b>Redmond</b>	2,200	466	1,275	14,173	11.12	1	A
<b>Renton</b>	1,850	551	1,047	10,860	10.37	2	A
<b>SeaTac</b>	10,700	1,457	4,073	8,055	1.98	1	C
<b>Seattle Downtown</b>	24,300	938	16,469	145,310	8.82	1	D
<b>Totem Lake</b>	4,400	720	2,944	11,117	3.78	1	A
<b>Tukwila</b>	22	840	2	17,976	N/A	1	B
<b>U. District</b>	19,700	840	7,244	33,879	4.68	3	C
<b>Uptown/ Seattle Center</b>	5,400	305	4,964	12,723	2.56	1	A

<sup>21</sup> Estimated by King County Benchmarks using 2000 Census tract data.

<sup>22</sup> 1= Services; 2= Manufacturing; 3= Education

<sup>23</sup> A= bus only; B= bus and Sounder commuter rail; C= bus and future LINK light rail; D= all three

## CHAPTER 4: URBAN CENTER HOUSING DEVELOPMENT

### ***4.1 Private Sector and Public Sector Roles***

This report considers how public sector actions can encourage housing development by the private sector. While public sector entities and non-profits may initiate housing development themselves, this report focuses on private sector development since the majority of new housing development is provided by the private sector and time does not allow a broader study.<sup>24</sup> Furthermore, it considers only the actions that cities can take, as defined by the research questions in the introduction, rather than exploring regional strategies. Therefore, the essence of this report is how city leaders and policy makers can make an Urban Center more attractive to private sector developers that are looking to build housing.

This chapter examines the factors that influence housing development. First, however, it is important to understand the roles of private sector developers and public sector policy makers, and outline the relationship between the factors of housing development and the strategies and tools used to encourage housing development.

#### ***Real Estate Development***

In order to understand the factors that influence housing development in King County Urban Centers, it is important to first understand the principles and process of real estate development that lie at the heart of the developer's decision-making process. This report draws on the work of Miles et al (2003) for much of the background on real estate development that follows in this section. According to Miles, developers follow a sequence of steps from the moment they conceive of a project through to physical completion. These steps essentially include: "coming up with the idea, refining it, testing its feasibility, negotiating contracts, making a formal commitment, constructing the project, completing and opening it, and managing the new project".<sup>25</sup> The stages in the sequence most relevant to this report on encouraging housing development occur early in the process, and are related to the feasibility of a potential project.

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<sup>24</sup> According to the Housing Development Consortium of King County, Consortium members produced over 16,000 units of affordable housing in the County, around 2% of the County total of 784,800 total units. Found at <http://www.housingconsortium.org/home/index.php>.

<sup>25</sup> Miles et al, p. 5.

Development projects require substantial capital. The developer is responsible for lining up the capital required for a development project, mostly through financing arrangements. Developers make a living by managing risk, evaluating the probable return on investment in light of anticipated risks. In order for a developer to consider moving forward with a project, the risk-to-return ratio must be compelling. This is also the case for lenders that are considering whether to finance a potential project.

Development will occur when “the development of an allowed use yields an adequate return to attract a developer and an equity source.”<sup>26</sup> However, a common refrain from developers, echoed in interviews with both developers and planning directors, is that a lot of the development desired by cities doesn’t “pencil out”.<sup>27</sup> Anticipated returns on investment are typically generated using a *pro forma* analysis. When initially considering a project, a developer’s analysis may take the form of a “back-of-the-envelope” *pro forma* that quickly compares the potential cost and value of the project. According to Miles et al, this gives the developer some idea of the project’s feasibility. If the idea passes this initial test, the developer refines the details of the project idea and further studies the market in order to become convinced of the project’s feasibility. When ultimately preparing to convince equity lenders of feasibility, the developer conducts a rigorous feasibility study.

Part of a feasibility study includes a market analysis that looks at how long-term trends are brought to bear on the existing local situation. The objective is to defend the cash flow projections with a defensible system of analysis and reasonable data inputs. Otherwise, the project is based on the unsubstantiated hope that there will be tenants for the building, that rental rates will return a sufficient cash flow to service debt, and that the type of space is desired by the market.<sup>28</sup> The factors that determine project feasibility are ultimately the factors that influence the development of housing, and are described in greater detail in Section 4.2.

### ***The Role of the Public Sector***

The public sector defines the legal and bureaucratic process within which development may take place, and can influence the marketplace with either incentives or restrictions. In Washington, much of the decision making power is in the hands of the city. Each city is

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<sup>26</sup> ECONorthwest, p. 2-9.

<sup>27</sup> See also Gardener p. 2-9.

<sup>28</sup> Miles et al, p. 338.



different, with different priorities, resources, and potential development ideas that reflect the goals of the city. In strong markets, simple projects have historically followed conventional modes of development by the private sector, while the public sector was expected to perform the functions of regulation and broad planning, and provide needed facilities and services such as schools, roads, water, police, fire, and sanitation. However, local governments have come to recognize the value of development as a strategic resource that could be harnessed to revitalize neighborhoods, finance infrastructure, stimulate economic growth, and generate jobs.<sup>29</sup>

Because of the strategic importance of certain development, cities have leveraged private investment by providing land, infrastructure, parks, public facilities, and financing. Though long run returns are anticipated, the initial capital outlay can be very high. In order to choose how to encourage Urban Center housing development efficiently and effectively, decision makers need to decide if it is worth it to expend resources or simply be content to let the market dictate development. Since it is important to be strategic and disciplined about investments, decisions should be based on a larger vision and plan for the city. To start, cities first identify which *factors* are influencing housing development in their Center, and to what extent. This will allow them to understand the factors critically affecting housing development in their unique situation, envision how those factors can be manipulated or controlled, and determine opportunities for removing barriers to development. Section 4.2 provides an overview of the factors that influence development.

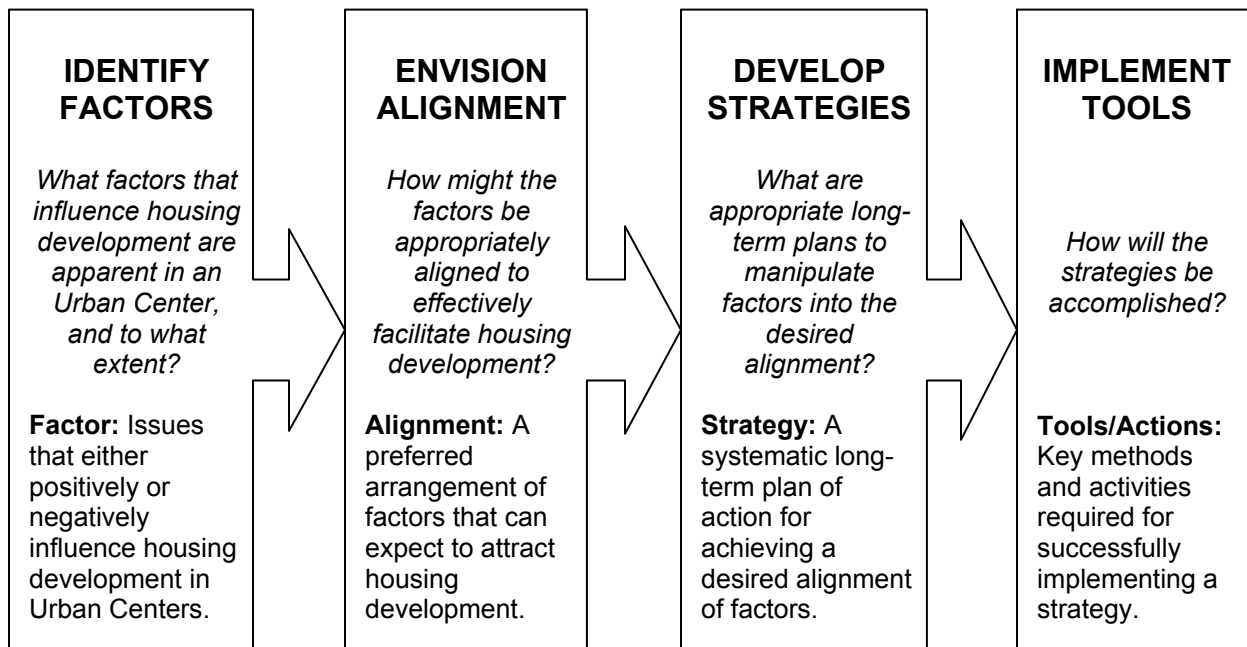
Where certain factors are aligned to discourage housing development, cities then identify a *desired alignment of factors* that are more likely to produce preferred outcomes. This provides the city with a goal for strategically aligning factors to encourage housing development that reflects the context of their situation. Cities can then create *strategies* for producing the desired alignment of factors, for the purpose of encouraging housing development. Strategies are systematic long-term plans of action for achieving a specific objective. For Urban Center housing development, this refers to the action plans that cities use to manipulate and align the factors that influence housing development in their Urban Center, and the methods required for accomplishing the plans. Chapter 5 explores possible strategies and tools for encouraging housing development. The connection between the “factors that influence development” and

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<sup>29</sup> Miles, p. 269.

“tools that encourage development” is outlined in Figure 4.1, and displays the relationship between the two research questions posed in the first chapter.

**Figure 4.1: Aligning Factors to Encourage Housing Development**



In 1996, PSRC published “Developing Your Urban Center: A Step-By-Step Approach”, to help cities analyze the local conditions affecting development in their jurisdiction. Their report includes 10 “situational assessments” that explain the unique development factors that may be at play in a Center.<sup>30</sup>

- Population and Employment Growth
- Market Feasibility
- Land Availability and Development Potential
- Environmental and Historical Resources
- Access and Circulation
- Public Facilities and Services
- Fiscal Capacity
- Planning and Regulatory Status
- Community Attitudes
- Organization

This useful manual provides a process for cities to assess important factors that influence housing development in the context of their Urban Center and enable public sector decision

<sup>30</sup> PSRC (1996), pages 125-134.

makers to consider appropriate tools and actions for encouraging redevelopment. The public sector decision maker must analyze the long-term financial returns and other gains for the city, weighed against the up-front costs to implement tools and actions and the availability of resources, to determine if they will produce desired results at a reasonable cost. Although this report outlines useful tools to encourage development, it does not make recommendations about their application, nor does it consider costs and returns, which may be different depending on the specific context. Instead, it lays out tools and actions that have been used in similar situations, leaving it for the policy maker to pursue further analysis appropriate for their city.

## **4.2 Factors Influencing Housing Development**

The private sector development process is a response to environmental, market and regulatory conditions. The market is the potential user of the development, and dictates what is marketable and what price will be paid for it. Regulatory conditions imposed by governments define the legal and bureaucratic process, and can influence the marketplace with incentives or restrictions. And the physical environment determines the scope and scale of any development to be built upon it.

Although PSRC's manual on "Developing Your Center" suggested 10 unique development factors that may be at play in an Urban Center, the following report considers a set of three overarching factors that influence housing development in King County's Urban Centers:<sup>31</sup>

- **Site factors:** *issues regarding physical characteristics of a development location, e.g., the environment, "parcelization", land availability, and infrastructure that affect potential housing supply.*
- **Policy factors:** *issues regarding the regulatory context of a development location, e.g., zoning, codes, process, fees, taxes, and political climate that affect potential housing supply.*
- **Market factors:** *issues regarding the demand for a development project, e.g., demand for "urban living", and the demand for certain housing locations in the region.*

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<sup>31</sup> Based on ECONorthwest (2001) assessment of housing density in the Portland Metro region. The set of three overarching factors I use combine some of those proposed by PSRC into broader headings.

Factors themselves are neutral concepts that can be manipulated to either limit or encourage housing development, therefore influencing housing development either positively or negatively. They may either affect developer *costs* (site and policy factors) or potential *returns* (market factors). Similarly, some factors affect the *supply* of housing (site and policy factors) while others affect *demand* (market factors). The remainder of Chapter 4 provides a summary of factors that influence private sector housing development generally, while Chapter 5 offers strategies and tools for encouraging development and analyzes how the factors are apparent in King County Urban Centers.

## **Site Factors**

In attempting to build in Urban Centers, developers may encounter site issues that are difficult to overcome, including: environmental issues, parcel size constraints, lack of available land, and infrastructure limitations. Overcoming site issues requires additional cash and time in order to proceed with development. Site issues affect the supply of new housing development and such limitations may incur additional costs for development making it less likely to occur.

### ***Physical environment***

The physical environment includes site characteristics like slope, hydrology and soils, which dictate whether a site is suitable for development. Environmental laws restrict development of critical areas, effectively removing them from the development equation. Even if development were to occur in such areas, extra costs would be incurred to mitigate damage and to make the development structurally sound. In some cases, previous development has occurred on sites that have issues with hydrology and soils. Any redevelopment of these sites may need to include extra costs to improve the site to accommodate a stable development.

### ***Parcelization***

Many of the Urban Centers are older areas that have experienced a high degree of “parcelization”, divided into small lots and likely belonging to different landowners. Though redevelopment at urban densities is possible on small lots, they usually make the unit cost more expensive.<sup>32</sup> In these situations, for example, tight staging for activities such as site preparation and construction are more difficult. Enger notes that most large development companies are used

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<sup>32</sup> MacLaran, page 38.

to working with parcels of 20 acres or more, so smaller parcels are less attractive to them. Small special niche developers may find it worthwhile to individually develop smaller parcels, but many established developers prefer the economies of scale offered by a larger site.<sup>33</sup>

Projects may require larger lots than are available. It is possible to work with several owners to assemble land, but this can increase risk, cost, and time. Two sources of concern related to land assembly include increased speculation and holdouts. As a developer begins to purchase properties to assemble, adjacent property owners are likely to increase the selling price of their property in anticipation of its importance to the developer. Or more troubling, a landowner may not be interested in selling their property, effectively thwarting potential development.

### ***Land availability***

When an owner refuses to sell their property, the land is not available for development. Absentee owners can also restrict land availability. In both cases, a purchaser wishes to make a reasonable offer on a property, but a sale is not possible because the landowner is either unwilling or unavailable to sell.

Current use of the land also restricts its availability for redevelopment. The market value of a property in its current use may be too high for a redevelopment project to be economically feasible. Furthermore, the fact that Urban Centers are already developed to a great extent means that expensive redevelopment must occur in order to achieve the targets for new housing. Redevelopment of a property with preexisting buildings requires extra costs to both pay for the old building and then tear it down. In some cases, a site has contaminants from a previous use that must be removed at extra cost to the developer. “Greenfield” sites that have never been developed are typically more attractive to developers because they require fewer costs to prepare the site for development.

### ***Infrastructure***

Basic infrastructure, including streets, sidewalks, water supply and sewer lines, are a precondition for housing development. Most Urban Centers have existing infrastructure, which might attract development away from areas where infrastructure is lacking, including “greenfield” development on the suburban fringe. However, the benefits of having existing

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<sup>33</sup> Enger, p. 21.

infrastructure may be countered by the costs of having to upgrade to accommodate higher densities, a cost that typically falls on the developer.

## **Policy Factors**

The cities that have Urban Centers can play an active role in the outcome of the Center strategy since local governments control most land use regulations and decision-making. Some policy issues can facilitate Center development, either by creating a policy climate that makes it more favorable for development to occur, by removing political regulatory barriers to development, or by providing incentives to development. On the other hand, some public policies, while valuable in meeting other public goals, may increase the difficulty of building in Urban Centers by influencing the amount of resources required for a development to occur, including both time and money. Policy factors therefore affect the supply of new housing development. Key policy factors include: zoning and codes, development fees, tax rates, permitting process, and the local political climate.

Although the emphasis of this report is on local control rather than centralized power, County policy can also have an impact on Center development. For example, the Urban Growth Boundary restricts the supply of land available for development, encouraging development within the Urban Growth Area. At other levels, the state's GMA and environmental laws, including cleanup of contaminated sites, impact feasibility of development. And because Centers rely on PSRC for funding for transit, PSRC is regional institution involved in influencing Center development.

### ***Zoning/codes***

Local regulations dictate development density, building height, and land use, thereby controlling what gets built in an Urban Center. Such regulations exist to protect the community from a type of development that they do not desire. However, highly rigid codes restrict a developer's ability to fit a product that satisfies consumer need into a particular location.<sup>34</sup> Local regulations can either restrict development by limiting the size, scope, or use of a building project, or can allow development to proceed unfettered. If local zoning and codes are too burdensome, a developer may decide a project is not feasible in that particular location. Additionally, parking requirements may be difficult to meet at a reasonable cost. Surface parking

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<sup>34</sup> Interviews with Attebury and Potter.

requires less capital to produce than structured parking, but ties up land that could be used for other developments with broader benefit.

### ***Development fees***

By increasing the cost of development, development fees can reduce the supply of housing produced. Development fees are costs paid by the developer that contribute to the provision of public facilities related to their developments. These may include improvements to parks and recreational areas, transportation, and to infrastructure, such as major streets at the borders of projects or at nearby intersections. The absence or reduction of fees can make development in Urban Centers more attractive, especially if higher fees are present outside Urban Centers.

### ***Tax rates***

Property taxes incur additional costs for the developer. In Washington, property taxes are assessed on the value of both the land and the improvements to the land such as buildings. Improvements to a property, such as the development of housing, increase property taxes. A developer factors in the costs of future property taxes when considering the costs of building a particular project, especially if planning to hold on to the project once it is complete. Property tax rates vary among cities, and a developer may seek a site with lower tax rates rather than build somewhere with a higher tax rate. Because of the additional taxes incurred by improving a property, there is a disincentive for improving land and an incentive for holding onto property in an unimproved state for speculative purposes, negatively impacting the development of additional housing.

### ***Permitting process***

Lengthy planning and permitting processes increase soft costs and uncertainty for a developer. Concerns about risk, cost, and time are increased if the permitting and planning process are complex and uncoordinated among agencies. A public process can take time and produce feedback that a developer does not want to hear.

### ***Political climate***

Local residents may not favor development for a variety of reasons. Some may fear increased congestion, overcrowding and noise. Others may not wish to change the existing

character of their neighborhood, such as the desire to retain small town feel. Some mistrust developers. Or they may wish to avoid the disruption caused by construction. If well-organized and politically entrenched residents line up against a particular development, it will be difficult for the development to proceed. Political leaders, sensitive to the concerns of local residents and business owners, may be unwilling to get behind a project or vision for development and help shepherd it along. Alternatively, strong political and civic leadership in support of a clear vision for Urban Center development facilitates housing development.

## **Market Factors**

As mentioned in Section 4.1, the issues that influence housing development relate primarily to financial feasibility. The private sector will build in an Urban Center if it thinks it can make a profit, including both the developer and financing agent. Consumers that use the final product constitute the “market” for development and drive the development process. Consumer demand dictates to the developer what is marketable and for what price. New housing units must be sold above cost, requiring adequate demand for the products at the necessary price points.

In the absence of consumer demand, a development project is not likely to occur, no matter how the site and policy factors are aligned. Urban and redevelopment projects are seen to have greater levels of risk and higher costs, requiring a higher level of return.<sup>35</sup> Therefore, most developers will not build housing in Urban Centers unless there is certain demand at a proven high price. ECONorthwest (2001) emphasizes that land values reflect the interaction of demand and supply and thus are good indicators profitability; when thinking about dense urban development, if land values are low, density does not work financially.<sup>36</sup> This report considers market factors related to the demand for both the type of product and its location within the region, with an emphasis on consumer preferences.

### ***Demand for product***

Increased housing development in Urban Centers requires a demand for the urban lifestyle and housing product that they offer. The urban lifestyle is in contrast with suburban development of the last half century. Urban Centers offer walkable access to shops, entertainment, amenities, jobs and other opportunities. They also offer convenient transportation

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<sup>35</sup> Suchman, p. 6.

<sup>36</sup> ECONorthwest, p. 2-26.



choices by virtue of their transit connections with other locations. As a trade-off, residents accept higher density living, smaller housing units and less private open space, for example. Although the demand for detached single-family residential housing is still strong, there are many trends that suggest there is growing market for urban living that features other housing alternatives.

These trends are being felt both nationally and regionally, and include:

- **Demographic trends**, such as shrinking average household size, increasing percentage of childless households, increasing percent of single-person households, and an aging baby-boom generation, suggest market potential for urban living that would be particularly attractive to smaller households without children. The primary market for urban infill housing includes single-person households and childless couples, because these groups are not troubled by the state of city public schools, smaller private open space, and smaller living spaces.<sup>37</sup>
- **Suburban disenchantment**, fueled by increased traffic congestion, long commutes, monotony, and isolation has caused some people to consider urban alternatives for housing locations.
- **Urban renaissance**, the revival of downtown areas as great places to live, work and visit, is due in part to their convenient transit and cluster of a diversity of amenities such as cultural centers, restaurants and entertainment, as well as public investments to revitalize urban areas.

### Demographic trends

As Riche notes, demographic trends are pushing Americans' residential needs and choices in new directions, yet many longstanding patterns and preferences remain.<sup>38</sup> Although demographic trends vary from place to place within the region, the following trends are visible regionally and nationally:

- Shrinking household size: nationally, the average household contains a record low of 2.6 persons in 2000;<sup>39</sup> regionally this ranges from 2.08 in Seattle to 3.13 in Covington, with a downward trend continuing particularly in East King County.<sup>40</sup>

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<sup>37</sup> This observation is echoed in numerous sources, including Suchman, p. 30; PSRC (August 2005 issue paper on Housing), p. 7; Enger, p. 9; Moulton, p. 8; and Haughey (2005) p. 6.

<sup>38</sup> Riche, p. 1.

<sup>39</sup> Suchman, p. 30.

- Increasing percentage of childless households: married couples without children and single-person households make up the nation's top two most numerous household types.<sup>41</sup>
- Increasing percentage of single-person households: nationally, singles make up 25% of all households, up from less than 8% in 1940.<sup>42</sup>
- An aging baby boom generation: seniors comprise 10% of the region's population in 2000 but are expected to double in number over the next thirty years to account for 17% of our total population by 2030. Many seniors and empty nesters may be likely to downsize from larger homes to smaller ones with less maintenance.<sup>43</sup>

According to Riche, while the rise in childless households suggests a potential increase in demand for urban living, recent trends still show that suburban locations remain the primary residential choice for all household types. Empty nesters, a rapidly growing household type, are more likely to own homes in the suburbs, and anecdotal evidence shows this group buying more housing, not downsizing, and in a variety of residential locations.<sup>44</sup>

### *Suburban disenchantment and the urban renaissance*

As the suburbs progressed from bedroom communities in the 1950's to contemporary "edge cities",<sup>45</sup> the metropolitan landscape became increasingly composed of low-density subdivisions, malls and office parks. The majority of Americans now live in suburban communities built in the last half century. Although popular, conventional suburban development has carried a price: sprawl, auto-dependency, congestion, long commutes, and a lack of neighborhood character and diversity. The suburban ideal for some people has been exposed as problematic, and has inspired people to seek alternatives for livable communities.

Developers contend that suburban residential development is a response to market demand; so long as people prefer suburban life, developers will continue to build it. Many "smart growth" proponents advocate for encouraging infill development and redevelopment of urban areas to accommodate population growth, but urban areas need to be great places to live in order

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<sup>40</sup> PSRC (August 2005 issue paper on Housing), p. 7.

<sup>41</sup> Riche, p. 1.

<sup>42</sup> Suchman, p. 30.

<sup>43</sup> PSRC (August 2005 issue paper on Housing), p. 8.

<sup>44</sup> Riche, p. 14.

<sup>45</sup> "Edge Cities" are defined by Joel Garreau as suburban areas complete with major job centers and regional retail, in his seminal book "Edge City: Life on the New Frontier".

to attract people.<sup>46</sup> Development on the suburban fringe can be slowed if cities were more attractive places to live, drawing demand away from suburban development. Urban neighborhoods need to be more marketable to people and developers looking to build.

The centers of many cities and towns, which had experienced decline as people and investments moved into suburban development, are now witnessing a “back to the city” revival. Cities and towns offer the density to support convenient transit options, reducing the need to drive. They also offer a wide range of recreational, cultural, intellectual and social opportunities, including libraries, shops, cafes and restaurants, and museums. Finally, they provide dense labor markets for workers that want to live near their jobs, including municipal campuses, service industry, hospitals, offices, and institutions. Conceptually, cities are becoming more attractive as places to live. However, not all cities are alike in what they have to offer, and demand varies from city to city.

### ***Demand for location***

If demand exists for urban living in general, such demand will not necessarily be felt equally among all Urban Centers, as certain Centers will possess a bundle of characteristics that make them more attractive than others to people looking for a place to live. Furthermore, some people may choose urban housing in locations that have not been designated as Urban Centers at all. The factors that influence location choice for housing are rooted in personal needs, values, and tastes. Personal needs can include access to grocery stores, transportation alternatives, jobs, safety and quality education. Housing decisions are also based on personal values, including how well consumers relate to a perceived neighborhood identity, and preferences for parks, shops, entertainment and other amenities.

Suchman asserts that demand for a particular project will therefore be highly specific, depending primarily on the project’s location and then on its unique characteristics and amenities.<sup>47</sup> Greenberg (1999) notes that people want neighborhoods that are safe, clean and stable, with good schools and recreational facilities, convenient shopping and access to other

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<sup>46</sup> Diane R. Suchman, 2005, “Developing Successful Infill Housing”, Washington: ULI; see also “Smart Growth Online”, found at <http://www.smartgrowth.org/>; and the “Congress for New Urbanism” website, found at <http://www.cnu.org/>.

<sup>47</sup> Suchman, p. 27.

services.<sup>48</sup> Surveys of real estate transactions tell us a great deal about what people like about neighborhoods. According to the National Association of Realtors, the most important factor in home purchasing decisions is neighborhood quality.<sup>49</sup> Survey research of Washington homebuyers has similarly identified neighborhood quality as the most important factor in home purchasing decisions, followed by proximity to jobs and schools.<sup>50</sup> The remainder of this section outlines the various aspects of a neighborhood that influence location choice for residential housing, including: crime and safety, schools, transportation, amenities, and other aspects of the quality of a neighborhood as a place to live.

### *Crime and Safety*

Many authors, including Greenberg (1999) have emphasized the strong connection between the presence of crime or feeling unsafe and poor neighborhood quality. Criminal activity may be related to issues of personal safety, as with violent crimes such as murder, assault or rape. Criminal activity may also threaten personal property, as with burglary and theft. Other types of crimes that influence neighborhood quality include drug activity and vandalism, which can impact the appearance of a neighborhood. For neighborhoods with crime, adequate police protection may counteract its presence. Satisfaction with neighborhood police protection includes people's trust in the police force in addition to the perceived level of service. Regardless of the actual level of crime, the perception of crime in a neighborhood by a potential resident influences their housing choice.

### *Education*

According to the National Association of Realtors, the proximity to good quality schools is an important influence on a buyer's decision to purchase a home.<sup>51</sup> Others have noted that the perceived poor quality of urban schools has prompted many households with children to choose housing in suburban neighborhoods.<sup>52</sup> As described earlier, many studies suggest that the demand for housing in urban areas will be stronger among households without children. Still, if

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<sup>48</sup> Michael R. Greenberg, 1999, "Improving Neighborhood Quality: A Hierarchy of Needs", Housing Policy Debate, 10, 3: 601-624.

<sup>49</sup> National Association of Realtors, "The 2004 Profile of Buyers' Home Feature Preferences", found at <http://www.realtor.org/libweb.nsf/pages/fg307>

<sup>50</sup> PSRC (August 2005 issue paper on Housing), p. 8, quoting the National Association of Realtors "2004 Washington Profile of Buyers' Home Feature Preferences".

<sup>51</sup> National Association of Realtors website, found at: <http://www.realtor.org/libweb.nsf/pages/fg307>.

<sup>52</sup> See for instance Enger (June 1997)

urban areas hope to become more attractive than suburban areas for housing development, they will do well to appeal to more than just the “no children” demographic.

### Transportation

People must travel if they want to obtain necessary goods and services, and to get to the jobs that support their lifestyle. Most Americans do not live near their jobs and instead must travel to work; home and work are in the same location for only around 3% of the U.S. workforce.<sup>53</sup> The Urban Center strategy proposes that Centers will include a mix of uses, including a high concentration of jobs as well as housing, allowing residents to live near where they work. But since Centers are based around transit hubs, residents have transportation alternatives should they work outside of the Center.

The Urban Land Institute suggests that rising gas prices will cause Americans to alter their driving habits and serve as a tipping point to better development.<sup>54</sup> According to the CPPs, transit access is a main tool for stimulating demand in Urban Centers in the face of increasing congestion and the rising cost of driving. Each Center has received priority funding for transit projects including transit stations. Access to high-capacity transit is supposed to make Centers more attractive for people to want to live there. But despite congestion, most people still drive. Congestion isn’t so bad that people are looking for an alternative; less than 10 percent of County residents regularly commute on public transportation.<sup>55</sup>

### Amenities

Amenities are natural or man-made features that are separate from the functional aspects of a neighborhood that make an area a pleasant place to live. As such, the presence of amenities can make an area more attractive to housing consumers. Natural amenities provide both opportunities for recreation and an enhanced aesthetic environment. According to the Washington Association of Realtors, natural amenities are very important to local residents and homebuyers, and there will always be some “price premium” for being close to a natural

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<sup>53</sup> Hanson, p. 3

<sup>54</sup> “Gas Prices: the Tipping Point to Better Development?” from the Urban Land Institute website, found at <http://www.uli.org/AM/Template.cfm?Section=Search&template=/CM/HTMLDisplay.cfm&ContentID=39181>.

<sup>55</sup> 2000 US Census.

amenity.<sup>56</sup> In urbanized environments, natural amenities may be less available than elsewhere while man-made amenities may be in greater supply. Such amenities attract residents by providing them with accessible options for cultural, social and recreational activities, including shops, restaurants, bars, museums, public spaces, areas of historic interest, and sports. Such amenities also contribute to a neighborhood's distinctive character or identity, which potential residents may identify with.

### Other Market Concerns

The perceived physical, economic, and social conditions of a surrounding neighborhood affect its marketability. The perception of a neighborhood, often anecdotally shared within a region, influences housing choice and demand. A neighborhood can thus be stigmatized as a poor place to live, or venerated as desirable, based more on myth than fact.

Regardless, the market demand for a product and a location is reflected in its price. Products and locations that feature high prices reflect high demand, because they are desirable to consumers, and are attractive to developers. Recent fluctuations in the rental market in the region produced lower rental prices due to a high supply of rental units relative to demand. While this benefited renters, it dissuaded developers from building apartment units. In contrast, record low interest rates stimulated the market for homeownership.

As mentioned earlier, low land values reflect low demand for a particular location, making high-density development unfeasible. Land values also affect the production of structured parking, an important feature of Urban Center development. The cost of structured parking is significant, and must earn more revenues than surface parking. Structured parking becomes economically feasible with higher land costs, where it can be demonstrated that residents are willing to pay extra for the space. However, where land prices are relatively low, structured parking cannot be economically justifiable and surface parking is the most cost-effective way to provide parking.<sup>57</sup>

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<sup>56</sup> Washington Association of Realtors, "Housing in the Community: Choice, Availability and Affordability", p. 24, found at <http://www.warealtor.com/government/qol/policies/qolhousinggoals.pdf>.

<sup>57</sup> See *Housing Stock: A Newsletter from the Housing Partnership*, September 2005, for an analysis of parking as a function of land cost in Urban Centers.

## CHAPTER 5: STRATEGIES AND TOOLS

### ***5.1 Manipulating Factors to Encourage Development***

The previous chapter outlined generally the factors that influence housing development in Urban Centers, considering the perspective of the real estate developer. As described earlier, a developer might not consider a housing project in an Urban Center because of obstacles and perceived risks. As a highly competitive and mature business, homebuilding does not offer high rewards, so it must offer minimal risk.<sup>58</sup> Unless a developer anticipates a reasonable return on investment, they will not proceed with development. Importantly, the developer must be confident that there is adequate market demand for a proposed project, and that they can complete a project on a reasonable schedule.

While housing development may occur in some Urban Centers without government action or incentives, local municipalities can set the stage to encourage development by the private sector by minimizing risk. The section that follows will describe a sampling of incentive-based strategies and tools available to the public sector to encourage housing development, given a specific alignment of factors. The Housing Development Matrix, shown in Table 5.1 at the end of the section, presents the factors that influence housing development as they are linked to housing development strategies and tools.

### **Strategies and Tools Related to Site Factors**

#### *Upgrade Infrastructure*

Basic infrastructure, including streets, sidewalks, water supply and sewer lines, are a precondition for housing development. As mentioned earlier, the infrastructure in Urban Centers may be undersized and/or deteriorated, and not able to support new dense development. The cost of upgrading these systems is very expensive, so in order to set the table for development, public funds can be directed this way. However, one challenge is in determining what level of investment is truly needed to get private money to start flowing.<sup>59</sup>

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<sup>58</sup> The Housing Partnership, Winter 2001, “How Homebuilders Finance Their Business”, p. 3.

<sup>59</sup> PSRC 2003, “The Development Toolkit”, p. 6.

Enger suggests that local governments can employ a number of strategies related to infrastructure to increase the attractiveness of infill areas relative to outlying areas,<sup>60</sup> including the establishment of Focused Public Investment Areas (FPIAs). Within the FPIA, a local government can take a more proactive role in providing infrastructure and shaping growth. Public investment is used to upgrade or fill gaps in the existing infrastructure within the boundaries of the FPIA, while outside the boundaries infrastructure upgrades remain the responsibility of the private sector.

Because of the expense of major public facilities, public investment in upgrading infrastructure within an Urban Center would encourage development there relative to elsewhere. However, financing the effort is a limiting factor. In many states, Tax Increment Financing (TIF) provides a useful tool for funding capital improvements in a designated area that is expected to generate increased tax revenues once revitalization efforts attract private development that will produce increased tax valuation. In effect, the city redistributes property tax collections within a designated area to finance infrastructure improvements, betting that the improvements ultimately will increase their tax base.

Washington's tools for tax increment financing are different than those found in other states, since attempts to authorize the use of state property tax revenue to finance developments through TIF have been struck down by the voters and the courts. Until recently, TIF has been ruled unconstitutional in Washington State. In 2001, the Washington State Legislature passed a bill to allow TIF (also known as Community Revitalization Financing), with some limitations.<sup>61</sup> Unlike other tax increment laws around the country, Washington's TIF laws provide an additional source of revenue via a portion of the regular taxes to apply toward debt service, rather than authorizing the issuance of special revenue bonds.

In 2006, the Legislature supplemented tax increment finance legislation with the Local Infrastructure Financing Tool Program (LIFT).<sup>62</sup> LIFT provides funding for local infrastructure using sales tax, property tax and other select excise tax increases generated by an economic development project as part of a designated development area. Under this legislation, a local government may create a revenue development area (RDA) where it plans to invest a significant amount of public and private funds for infrastructure to spur economic development and

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<sup>60</sup> Enger, p. 16.

<sup>61</sup> RCW 39.89.

<sup>62</sup> ESSHB 2673.



affordable housing. If the Community Economic Revitalization Board (CERB) approves a proposed project, the state will match the new local construction property tax revenues with an equal amount of new state sales tax revenues from within the same revenue development area, up to a certain limit. However, the capacity of this program to finance projects is limited. In a guest column in the Puget Sound Business Journal, Hugh Spitzer notes, “both the process of creating an RDA and the uncertainties inherent in pegging the state sales tax contribution to the actual new local construction property taxes will make the LIFT process daunting for most local governments.”<sup>63</sup>

When considering where to invest resources on upgrading infrastructure, Urban Centers can capitalize on their existing natural assets that contribute to its identity, such as lakes, rivers, and views. In some cases, such assets are underutilized currently, but present a significant potential for increasing popular demand for Center living. Paumier notes how waterfronts especially have proven to be important resources where changes in transportation have opened up areas for development, particularly in downtown areas.<sup>64</sup> Through strategic capital investments, cities can enhance natural assets in their Urban Center in a way that provides benefit for current residents, as well as attracting further development to support future residents.

#### *Acquire, Assemble and Prepare Sites for Development*

The public sector can enhance the potential for housing development in Urban Centers by assisting developers to acquire, assemble and prepare land for development. Within their Urban Center, a city can buy and assemble land for immediate development, or hold on to it for future development through a land bank authority. As described earlier, small lots may not provide the right environment for some developers to build, and assembling parcels is time-consuming and expensive. Most financing techniques for private development are designed to underwrite the costs of construction and the infrastructure needed to support development. According to Enger, “far-sighted cities can aid this process by assembling and improving land... in an organized manner which supports long-range plans, before specific demand arises.”<sup>65</sup>

Robinson and Cole suggest that, with little cost, a local government can identify a specific area to target for urban development efforts, and facilitate site acquisition through

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<sup>63</sup> Spitzer, found at <http://seattle.bizjournals.com/seattle/stories/2006/04/24/editorial3.html>.

<sup>64</sup> Paumier, p. 57.

<sup>65</sup> Enger, p. 23.

techniques such as inventorying available development parcels and owners, and marketing specific development opportunities in the area.<sup>66</sup> With more effect, a local government can acquire parcels through outright purchase, obtain it through tax foreclosure, or exercise eminent domain. While effective at obtaining land, these three actions all have important considerations: tax foreclosure may be a lengthy process, and may not be applicable to the target area; eminent domain has important legal restrictions and is negatively perceived as a forced “taking” by government; and outright purchase is represents a costly public expenditure that may be difficult to show its long term returns.

Local governments could designate areas within their Urban Centers as Community Renewal Areas, provided that “blight” can be demonstrated. Community Renewal Legislation in Washington allows a jurisdiction to acquire property within a designated “Community Renewal Area” for revitalization purposes, including through eminent domain.<sup>67</sup> In terms of housing, Community Renewal Legislation would not be appropriate for strictly market rate housing; some amount of affordable housing would probably need to be included in order to justify a Community Renewal Project.

Cities with soft housing markets, where unit prices do not justify the development costs of development, the city can write down the land to stimulate housing development in targeted areas, or can acquire the land and lease it to a developer for a specific number of years. This latter approach allows the city to keep some control while reducing the costs of development and receive a portion of the development’s revenues.

To further smooth the way for private investment, local governments can complete a Planned Action SEPA. The State Environmental Policy Act (SEPA) requires an environmental analysis of a development’s impacts on the surrounding area. A Planned Action SEPA is a larger analysis of several possible projects within a certain area, giving potential developers more predictable information on the costs of environmental mitigation and reducing the time it takes to complete environmental studies.

Even further, local governments can prepare areas for development by removing unwanted materials from the site, including old buildings, debris, or environmental contamination. Sites with potential environmental contamination are especially troublesome

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<sup>66</sup> Robinson and Cole, p. 8.

<sup>67</sup> RCW 35.81

since the costs of clean up and associated liabilities make contaminated sites, or “brownfields”, less attractive for developers who are more inclined to build on new clean sites (“greenfields”).<sup>68</sup> Although such sites in Urban Centers may hold a prime location for development, liability for clean-up costs fall on present land owners and business operators, so developers and lenders are reluctant to invest in these properties. Enger asserts that brownfield clean-up efforts will be more effective if made a part of larger land assembly efforts rather than focusing only on individual projects, and that targeting cleanup efforts to areas that have adequate infrastructure and an attractive location will be most productive.<sup>69</sup>

## **Strategies and Tools Related to Policy Factors**

### *Revise Codes to Eliminate Excessive Standards*

Many Urban Centers have made policy changes to allow for increased housing to be developed, including increasing height restrictions and density limits, reducing parking requirements, and streamlining the review processes. However, if existing regulations are restricting development, more flexible codes and standards might allow infill development to occur. Robinson and Cole assert that a local infill development strategy ought to include a review of local government land use controls to eliminate “inflexible, burdensome or overly restrictive requirements that may serve as a barrier to infill development.”<sup>70</sup> The goal of development standards should be to promote high quality development that fits the clearly articulated purposes of the Urban Center. While the standards for the Urban Center should be designed to achieve desired land use patterns, they should not impose “prescriptive requirements that could adversely impact the financial feasibility” of a particular development.<sup>71</sup>

When interviewed, some members from the development community emphasized this as a problem in some Urban Centers. Despite its commitment to growth management ideals of developing housing opportunities in Urban Centers, Kauri Investment Ltd. Chairman Jim Potter acknowledges that many good development projects are thwarted by local policies, including

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<sup>68</sup> According to the US EPA, “Brownfields” are “abandoned idled, or under-used industrial and commercial facilities or sites where expansion or redevelopment is complicated by real or perceived environmental contamination.” See also <http://www.epa.gov/swerosps/bf>.

<sup>69</sup> Enger, p. 56.

<sup>70</sup> Robinson and Cole, p. 30.

<sup>71</sup> Robinson and Cole, p. 30.

excessive codes that deter development.<sup>72</sup> Tim Attebury of the Master Builders Association of King County suggests municipalities consider a form of “performance zoning” or “flexible zoning.”<sup>73</sup> Under performance zoning regulations, proposed projects are evaluated according to a set of performance criteria. While traditional zoning specifies what land uses are allowed, performance zoning specifies standards of land use intensity. Rather than restricting the use of the land, performance zoning focuses instead on how the developed parcel impacts neighboring properties and uses, allowing municipalities and developers more flexibility in designing projects so long as the impacts to the surrounding land are not negative.

### *Mobilize Civic Leadership behind a Strategic Plan and Vision*

Each city has developed comprehensive planning elements that reflect the Urban Center strategy outlined in the CPPs. However, plans will not come to fruition by themselves; civic leaders, particularly elected city executives and city council members, need to actively support the plan and drive it forward. Without exception, members of the planning community emphasized that city leaders embraced Urban Center elements in the comprehensive plans. However, plan elements are more likely to be effectively realized if they are shepherded by a policy champion.

Certainly, the Urban Center is but one part of a city’s jurisdiction, and city leaders must certainly tend to the needs and priorities of their residents throughout their boundaries. An Urban Center’s success, however, is influenced by the degree to which city leaders are able to make the Urban Center vision a priority. Moreover, city leaders will be most effective at achieving success for their Center if they proactively develop and attend to a strategic plan that allows them to recognize and take advantage of opportunities as they arise.

The issue of leadership is especially important in Centers that experience low housing demand by consumers. Centers with high demand are more likely to attract development, and effective comprehensive plans will guide development toward a vision for the future. Absent strong demand, policy champions can actively exert their influences to secure important components of the strategic plan that can encourage development that would not otherwise occur. Such elements may include tools described in this section, which are more likely to occur

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<sup>72</sup> Interview with Jim Potter, 4/7/2006.

<sup>73</sup> Interview with Tim Attebury, 3/27/2006.

with active leadership pursuing their use. Though public policy cannot create demand, it can help accelerate potential into action.

Suchman more strongly asserts that effective change can be accomplished “only through vision and leadership of a mayor who makes housing a priority and brings together city government and key... stakeholders to create a positive, proactive housing policy that will encourage... housing development.”<sup>74</sup> Such leadership must be communicated into action by city departments, and be directed at organizing city resources to facilitate Center development. This includes securing funding to pay for someone exclusively to coordinate Urban Center development strategies and activities by working with all relevant city agencies, businesses, and private developers. Suchman also emphasizes how mayoral leadership can be critical at the project level as well, especially for pioneer development in areas that lack a proven market. In such cases, the mayor can arrange for the developer to meet with heads of city departments and ensure that the project’s needs would be met and that requirements would be coordinated.<sup>75</sup>

One of the tools that Suchman identifies for encouraging housing development in urban areas is mayoral “summits” that include forums between city government and the development community. Requiring a highly proactive government and mayor, this approach can identify key methods by which the development process can be simplified, discover barriers to development that may be removed, and determine ways to encourage development that meet the needs of both the development community and the city.

## **Strategies and Tools Related to Market Factors**

### *Sponsor Demonstration Projects*

With some cities, it is difficult to imagine what it will look like to live in their Urban Center, because little development has occurred in the Center to provide an example. If an individual can’t imagine living there, a developer probably won’t be inclined to build there either and banks would not likely finance development anyway. This may also be the case for innovative projects that may be appropriate for the density and mix of uses sought for Urban Centers, if they are not tested in the market.

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<sup>74</sup> Suchman, p. 72.

<sup>75</sup> Suchman, p. 76.

A “pioneer” development might demonstrate that demand exists and act as a catalyst for further development, stimulating progress toward the Urban Center vision.<sup>76</sup> However, developers and lenders are reluctant to invest in pioneering locations because there is usually too much risk. Developers are more likely to be successful by following trends and copying examples that prove market demand. Regional success diminishes concerns about risk and the market for Urban Center housing, so a demonstration project in one Center may serve as a model for another Center with similar characteristics.

In trying to attract a pioneer development to serve as a demonstration project, Enger notes that a local jurisdiction may have to go beyond what it would ordinarily do, requiring adequate funds to design and construct a quality project that will convince others of viability. However, if the project can motivate private developers to undertake similar projects, it will be worth the investment.<sup>77</sup> Sponsoring demonstration projects can also be tied to a city’s marketing campaign about homes and neighborhoods where redevelopment is targeted. This can include tours of homes and projects, and informing the greater public about all that a city and its Urban Center has to offer. In doing so, a city can combat negative perceptions that may be widely held.

#### *Enhance Amenities through Strategic Public Investment*

As mentioned earlier, public policy does not increase demand so much as it can accelerate potential into action. Noting that “there’s no such thing as a free lunch”, the PSRC *Development Toolkit* (August 2003) recognizes how great communities have great things in them.<sup>78</sup> To attract potential residents away from suburban alternatives, Urban Centers must offer a wide range of amenities and provide a high quality of life for all residents on a level that is not offered by alternative housing locations. Potential residents must perceive the value of Urban Centers as providing access to a variety of public services, cultural, social, entertainment, and recreational opportunities, which enhance the quality of urban living. Considering demographic trends that suggest an increasing market for urban living, Urban Centers can attract potential residents by focusing resources on improved services, facilities and amenities that target their needs.

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<sup>76</sup> As suggested in personal interviews with Lancaster and Miranda, City of Tukwila.

<sup>77</sup> Enger, p. 29.

<sup>78</sup> PSRC (August 2003), p. 6.

Of particular importance may be investment in public places that function as gathering spaces that promote social interaction and support community events. In *Ten Principles for Development around Transit*, Dunphy, et al (2003) recognize public space as important “in the creation of place; among other things, it allows for events such as concerts, markets, exhibits, and celebrations – events that bring people and vitality to the area and stimulate economic activity”.<sup>79</sup> Public parks and plazas can serve this function while also providing aesthetic appeal. Such places can be designed to attract a variety of residents, including children as well as adults. Further investment may be given to programming events that draw people to such places. An urban park or plaza can serve as an important focal point for the existing community, and serve as a node around which future development occurs.

Amenities such as parks have proven to have a positive impact on surrounding real estate.<sup>80</sup> Building parks in Urban Centers can attract developers by providing more of a guarantee that their product will have consumer demand, and at a higher price. Although building a park requires significant investment, they are popular amenities that are often directly funded by voter-approved levies. Other public realm improvements might include a performing arts center, senior center, swimming pool, library, landscaping, and public art. Public realm improvements can also be directed at improving services related to a city’s image, such as schools and police.

Finally, Urban Centers can also capitalize on their existing built assets, such as historic buildings that contribute to the distinct character and identity of the community. Historic neighborhoods can attract buyers and renters looking for something special and unique. The National Trust for Historic Preservation developed a program for pioneering a Main Street approach to commercial district revitalization that combines historic preservation with economic development to restore prosperity and vitality to downtowns and neighborhood business districts. The Main Street Approach advocates the rebuilding of “traditional commercial districts based on their unique assets: distinctive architecture, a pedestrian-friendly environment, personal service, local ownership, and a sense of community.”<sup>81</sup>

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<sup>79</sup> Dunphy et al, p. 12

<sup>80</sup> Paumier, p. 48.

<sup>81</sup> See the National Trust Main Street website at <http://www.mainstreet.org/content.aspx?page=2&section=1>.

**Table 5.1: Urban Center Housing Development Framework**

<b>Factors that Influence Development</b>	<b>Desired Alignment of Factors</b>	<b>Strategies to Encourage Housing Development</b>	<b>Tools &amp; Actions to Implement Housing Development Strategies</b>
<b>Site Factors</b> <ul style="list-style-type: none"> <li>• Environment</li> <li>• Lot size</li> <li>• Land availability</li> <li>• Infrastructure</li> <li>• Existing land use</li> <li>• Land cost</li> </ul>	<ul style="list-style-type: none"> <li>• Accessible sites appropriate for the desired type and scale of development.</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade infrastructure.</li> <li>• Acquire, assemble and prepare sites for development.</li> </ul>	<ul style="list-style-type: none"> <li>• Focused Public Investment Areas</li> <li>• Local Infrastructure Financing Tool Program</li> <li>• Community Revitalization Financing</li> <li>• Transportation improvements</li> <li>• Planned Action SEPA</li> <li>• Community Renewal Legislation</li> <li>• Recycle tax-delinquent, abandoned, surplus properties</li> <li>• Below-market land sales</li> <li>• Financing tools, gap financing</li> <li>• Subsidize parking garage construction</li> </ul>
<b>Policy Factors</b> <ul style="list-style-type: none"> <li>• Zoning/codes</li> <li>• Fees</li> <li>• Process</li> <li>• Political climate</li> </ul>	<ul style="list-style-type: none"> <li>• Policies and plans that support an Urban Center vision.</li> <li>• Policies that allow housing development to meet market demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilize civic leadership behind a strategic plan and vision.</li> <li>• Revise codes to eliminate excessive standards.</li> </ul>	<ul style="list-style-type: none"> <li>• “Performance based” code</li> <li>• Streamlined permitting, one-stop permitting</li> <li>• Parking reduction ordinances</li> <li>• Lift height restrictions, density restrictions</li> <li>• Property tax abatement</li> <li>• Waive or reduce development fees</li> <li>• Tax land at market value, potential value</li> <li>• Resources for planning and coordination</li> <li>• Advocacy</li> <li>• Forums between government and development community</li> </ul>
<b>Market Factors</b> <ul style="list-style-type: none"> <li>• Demand for product</li> <li>• Demand for location</li> </ul>	<ul style="list-style-type: none"> <li>• A place where people want to live, work, and visit.</li> <li>• A place where people can afford to live, work, and visit.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance amenities through public investment.</li> <li>• Sponsor demonstration projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investments in physical improvements</li> <li>• Marketing, education campaigns</li> <li>• Model homes, demonstration projects</li> <li>• Location Efficient Mortgages</li> <li>• Lure pioneer development</li> <li>• Build and improve parks</li> <li>• Build and improve transit stations</li> <li>• “Main Street” program</li> <li>• Encourage improved housing options throughout city</li> <li>• Increase investment in education system</li> <li>• Improve safety, perception of safety</li> <li>• Financing tools (numerous)</li> <li>• Provide transit passes</li> <li>• Guarantee pre-sales</li> </ul>



## 5.2 Applications

The previous chapter identified some strategies and tools for encouraging housing development that are available to public sector policy makers, and linked these strategies and tools to factors that influence development from the perspective of the private sector real estate developer. In the chapter that follows, these strategies are applied to real Urban Center situations. However, rather than singling out specific cases or trying to address each Center, this report instead looks for common themes among certain Centers related to the factors at play, which allow them to be treated more generally in categories. Although a general treatment does not allow for an in-depth analysis, it does give an idea of how the factors are at play in Centers and how policy makers can take steps to manipulate factors to encourage housing development.

### *Urban Center Categories*

There are likely several ways to group Centers together. Using the data provided in the individual Center reports (see Appendix C), I have elected to focus on three noteworthy categories:

- **Centers that feature significant commercial strip development**, (*Federal Way, SeaTac, Totem Lake, Tukwila, and Northgate*) which are typified by an auto-oriented rather than pedestrian-friendly environment and appearing less livable;
- **Centers that feature historic small-town “Main Street” appeal**, (*Auburn, Burien, Kent, Redmond, Renton*) which offer unique character but also potential problems with community opposition to redevelopment;
- **Centers that reside in South King County cities**, (*Auburn, Burien, Federal Way, Kent, Renton, SeaTac, and Tukwila*) which suffer from negative perceptions that allow potential residents and developers to overlook community assets that might otherwise attract investment.

Admittedly, not all Centers fall into these categories, and some Centers fall into more than one category.<sup>82</sup> However, these categories target Urban Centers that seem to demonstrate less vigorous housing development. For each category, this report describes the shared factors that

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<sup>82</sup> For example, Bellevue’s downtown and four of Seattle’s Urban Centers are not covered by these categories. However, these Centers are experiencing relatively strong Urban Center housing development, plus represent major job centers in the region. Focusing attention in this report to the application of strategies and tools that encourage development in these Centers would be less appropriate than focusing on Centers with more to gain.

influence their grouping, notes important strengths and weaknesses related, and identifies opportunities for encouraging development.

### ***Applying strategies and tools to Urban Center categories***

#### ***Centers that feature significant commercial strip development***

Commercial strip development epitomizes an auto-oriented suburban landscape, and contrasts with the compactly developed pedestrian-oriented vision held for Urban Centers. Large areas devoted to shopping malls and parking lots characterize Urban Centers that feature significant commercial strip development, as observed in *Federal Way, SeaTac, Totem Lake, Tukwila, and Northgate*. These areas also provide opportunities for redevelopment and increased housing, as described in each city's comprehensive plans. Although some of the sites in these Centers represent viable commercial areas, others do not.

In contrast with “brownfield” and “greenfield” development, the Congress for New Urbanism coined the term “greyfields” to describe older, economically obsolete shopping centers and retail properties that may be suited for redevelopment into housing, retail, office, services, and public space.<sup>83</sup> Greyfield malls may have vacant anchor stores, outdated buildings in



disrepair, large underutilized parking lots, and fail to generate revenue that would justify their continued use. Although such properties may offer diminishing returns in their current form, they still carry the potential for profitability and offer opportunities and advantages for housing development in transit-oriented, in-fill neighborhoods. Such sites need to be analyzed individually in terms of their potential for

housing to provide the highest and most profitable use of the property. This report does not present a detailed economic analysis of potential greyfields sites in Urban Centers, and instead considers such sites generally in terms of their redevelopment potential.

Some key obstacles hinder the redevelopment of greyfield sites into housing. These obstacles relate to important factors influencing housing development described in Chapter 4.

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<sup>83</sup> See Sobel (2001), *Greyfields into Goldfields: Greyfield Mall Characteristics, Revitalization Success Stories*.

First, because such sites have been designed to facilitate auto use, they feature large block sizes. Block size is an important “site factor”, given its relation to the street and sidewalk infrastructure. Large block sizes suggest the need for new sidewalk and road construction to break up large blocks. As shown in Table 5.2, the following Urban Centers feature large block sizes that are over four times that of the average Center: Federal Way, SeaTac, Tukwila, Totem Lake, and Northgate. The comprehensive plans for these cities include new street overlays that break up large blocks to create a more appropriate grid. In some cases, a private developer may absorb the cost of upgrading the street and sidewalk infrastructure, as occurred in SeaTac during the \$50 million renovation of the Hilton Hotel and Conference Center; the project incorporated some of the City’s future street grid plans to break up mega-blocks.<sup>84</sup>

However, as described earlier, upgrades to infrastructure are costly and therefore can deter development. The burden of such infrastructure investments is likely fall to the city. In order to break up mega-blocks, the city cannot build new streets and sidewalks unless they own the property, making it difficult to overcome this problem. However, the city may offer to absorb or share the cost of upgrades as an incentive to development. Although it requires significant public investment, it may be worthwhile if it provides sufficient incentive to a private developer to build housing.

Another concern is that currently owned land may not be available for redevelopment, as the market value of a property in its current use may be too high for a redevelopment project to be economically feasible. For example, current properties in SeaTac that supply long-term parking for air travelers provide strong revenue for their owners at low costs, driving up the cost of the land.<sup>85</sup> When properties hold significant economic value in their current configuration that is greater than the value for redevelopment, redevelopment is not feasible. For housing development to occur,

**Table 5.2: Average Block Size for King County Urban Centers (2004)**

	Average Block Size (acres)
<b>Federal Way</b>	30.38
<b>SeaTac</b>	21.20
<b>Tukwila</b>	19.64
<b>Totem Lake</b>	12.75
<b>Northgate</b>	11.90
<b>Bellevue</b>	7.51
<b>Redmond</b>	7.40
<b>Renton</b>	6.66
<b>Average Block Size</b>	<b>5.08</b>
<b>U-District</b>	4.90
<b>Kent</b>	3.06
<b>Uptown/Seattle Center</b>	2.47
<b>Auburn</b>	2.47
<b>First Hill/ Capitol Hill</b>	2.11
<b>Seattle Downtown</b>	1.49
<b>Burien</b>	n/a

<sup>84</sup> Interview with Michael Scarey, 3/27/2006.

<sup>85</sup> Interview with Michael Scarey, 3/27/2006.

private developers need to be convinced that there is sufficient demand at a certain price; that level of demand is not yet manifest in SeaTac, as elsewhere, for housing development to replace Park and Fly lots.

On the positive side, Urban Centers with significant commercial strip development feature large average parcel sizes. Table 5.3 shows the average parcel size for the average Urban Center is .64 acres. The four Centers with the highest average parcel size include: Federal Way, Tukwila, Totem Lake, and SeaTac. As discussed previously, parcel size is an important site factor that determines the scope and scale of a development project. Most redevelopment projects that include housing in Urban Centers require large lots. Large parcels minimize significant cost and risk by reducing the need for land assembly, providing an important opportunity for these Centers to encourage housing development, not present in other Centers.

**Table 5.3: Average Parcel Size for King County Urban Centers (2004)**

	Average Parcel Size (acres)
<b>Federal Way</b>	4.17
<b>Tukwila</b>	2.40
<b>Totem Lake</b>	2.30
<b>SeaTac</b>	1.17
<b>Redmond</b>	0.75
<b>Northgate</b>	0.69
<b>Bellevue</b>	0.68
<b>Average Parcel Size</b>	<b>0.64</b>
<b>Renton</b>	0.62
<b>U-District</b>	0.43
<b>Kent</b>	0.41
<b>Seattle Downtown</b>	0.37
<b>Uptown/Seattle Center</b>	0.36
<b>First Hill/ Capitol Hill</b>	0.28
<b>Auburn</b>	0.23
<b>Burien</b>	n/a

The current land use pattern in these Centers exists because earlier land use codes allowed such development, and in many cases, past city leaders cultivated this kind of economic development and the tax revenue it provides. Zoning laws that restrict mixed uses and concentrate commercial activity in certain areas typically protect residential housing from negative impacts. For example, Tukwila's Urban Center reflects its past zoning laws that limited residential development in the commercial area. Zoning laws were amended only in 1995 to accommodate a mix of housing.<sup>86</sup> Hence, Tukwila's Urban Center does not appear as livable as other areas because it was not designed to be livable; it was designed to be a commercial center.

Demand for location remains a crucial consideration for Centers with significant commercial strip development, particularly if it is in decline or lacks aesthetic appeal. People are less inclined to live near areas that appear blighted. And their auto-oriented design is in contrast

<sup>86</sup> Interview with Lancaster and Miranda, 4/2/2006.

with appealing characteristics people look for in a neighborhood. The rents or prices needed to support Urban Center housing are higher than the prices people currently pay to live in or near greyfields. For housing development to increase in these Centers, buyers and renters need a reason to pay more for housing.

David Butcher argues that cities should invest in greyfield redevelopment because of the potential to create positive “synergies” that benefit the community, increase property values, attract economic development, and generate increased tax revenues. Butcher asserts, “these positive externalities are the synergies associated with the clustering of specific uses that, together, create a competitive advantage for the mixed-use development and make it less susceptible to economic downturn as well as produce a functional community for the long run.”<sup>87</sup> At the same time, public investments in greyfield redevelopment can go towards the types of elements already typically supported by public money: improved housing, renewed infrastructure, job development, public spaces, and programs that support the community.

Case study research by Canada Mortgage and Housing Corporation identified the following important elements in the successful redevelopment of greyfield sites for residential and mixed-use purposes:<sup>88</sup>

- Location
- Positive planning framework
- Financial incentives
- Partnerships
- Communication
- Creative problem-solving
- Good design
- Mix of housing types and uses
- Range of housing types and prices
- Appropriate marketing

An appropriate strategy for greyfield redevelopment in Urban Centers includes initial public investment in infrastructure and amenities that increase livability and demand. This may include a park, plaza, or other form of public open space that may be currently lacking in an area that features greyfield characteristics. *Greyfields into Goldfields: Dead Malls Become Living Neighborhoods*, by Lee Sobel (2002) includes case studies of successful redevelopment in North

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<sup>87</sup> Butcher, electronic journal Retrieved on 6/1/2006:

<http://proquest.umi.com/pqdweb?did=274705021&sid=1&Fmt=4&clientId=8991&RQT=309&VName=PQD>.

<sup>88</sup> CMHC website, Retrieved on 6/1/2006: [http://www.cmhc-schl.gc.ca/en/inpr/su/sucopl/sucopl\\_005.cfm](http://www.cmhc-schl.gc.ca/en/inpr/su/sucopl/sucopl_005.cfm).

American cities and suburbs, and provides further tools and strategies for greyfield redevelopment.

*Centers that feature historic small-town “Main Street” appeal*

Many of King County’s Urban Centers began as commercial centers in small towns that initially developed around the turn of the 20<sup>th</sup> Century. The downtown core of such Centers features historic buildings and reflects the charm of “the good old days”. Their development pattern, set before the automobile became popularized, is at a scale that is consistent with the Urban Center goal of providing a pedestrian friendly environment. Urban Centers with historic small-town “Main Street” appeal include: *Auburn, Burien, Kent, Redmond, and Renton*. Burien incorporated only recently, in 1993, though Kent (1890), Auburn (1891) and Redmond (1912) incorporated earlier.

Before World War II, the downtown commercial hub of a small town featured mixed-use buildings with ground floor retailers and apartments or offices above street level. Municipal buildings nearby added to the flow of people downtown,



contributing to make the area an important part of civic life. In essence, commercial centers historically displayed many of the characteristics sought for Urban Centers and New Urbanist development. However, as described in the introduction, these downtown areas have changed drastically in the last half-century, especially with the construction of highways and the sprawling growth of suburban communities. Suburban development began to draw people and business away from older commercial districts. As a consequence, many small-town commercial districts lost vitality.

Still, historic downtown areas have marketable advantages over other Urban Centers for attracting residents. Historic character provides a unique identity that can have positive appeal

for people. Older architecture provides the added benefit of “creating a sense of continuity over time and a link to history.”<sup>89</sup> Furthermore, historic downtowns offer a pleasant setting for people given certain qualities of scale, including smaller block sizes, moderate building heights as viewed from the sidewalk, and pedestrian-oriented setbacks.

To capitalize on their scale and unique historic character, historic downtown areas must overcome other factors that are aligned to hinder development. For example, Centers with historic downtown areas exhibit smaller average parcel sizes, as shown in Figure 5.3, which may require assembly in order to create lots suitable for development. Furthermore, communities containing historic downtown areas may resist development in an effort to preserve their “small town” feel. Moving development plans forward requires strong leadership behind a strategic plan and vision to integrate newer development into the downtown fabric without disturbing the traditional character.

The City of Kent may see success in this regard with the development of Kent Station adjacent to the old commercial core, preserving its historic character. The City of Kent has gone to great lengths to establish a connection between the two areas so that visitors are drawn to both rather than allowing the new development to drain the life out of the historic downtown.<sup>90</sup> This connection includes creative streetscaping, artwork, and the planned development of a civic plaza between the two areas that will be the center of programmed civic activities, including a weekly farmers market.

The market demand for living in historic downtowns in medium- and small-sized cities may be limited, however, given competition from Seattle’s historic districts which equally provide unique character and pedestrian scale, in addition to closer proximity to more jobs and amenities. Living in downtown Auburn, for example, may appeal to long-time residents of that city, particularly “empty-nesters” wishing to downsize while remaining close to social groups, jobs, and a quality of life they know and enjoy. Young people may be more drawn to more overtly urban areas that exhibit a “cool” factor, though housing costs will certainly play a role in housing choice given the high cost of housing, especially in Seattle neighborhoods.

The National Trust “Main Street” Center, a program by the National Trust for Historic Preservation (NTHP), argues for revitalizing historic downtowns through encouragement of

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<sup>89</sup> Paumier, p. 57.

<sup>90</sup> Interview with Nathan Torgelson, 3/16/2006.

economic development within the context of historic preservation. The Trust envisions the traditional commercial district as a visible indicator of community pride, identity and heritage, holding the potential for recruiting new residents, businesses, retirees, and tourists.<sup>91</sup>

According to NTHP, city government can lead this effort, providing more stable funding, a strong show of support, and influence over city policy. However, city leadership can inhibit private sector participation if the program is perceived as pro-government rather than pro-business. Alternatively, the city can support the leadership of other organizations, such as a Community Development Corporation, Chamber of Commerce, or Business Association.

### Centers that reside in South County cities

Seven of the Urban Centers are in South King County, including *Auburn, Burien, Federal Way, Kent, Renton, SeaTac, and Tukwila*.<sup>93</sup> South County cities typically offer more affordable housing compared with other areas in King County. Table 5.4 shows the assessed property value for each of the King County cities

that contain designated Urban Centers.<sup>94</sup> South County cities have a lower assessed value per square foot of land compared with the average for all King County cities. Although their relative affordability provides opportunities for housing development to meet the needs of lower- and middle-income residents, it also suggests many challenges to increased housing development for South County cities.

**Table 5.4: Land Area and Assessed Value by City, 2005<sup>92</sup>**

City	Size (Acres)	Total Assessed Value (in thousands)	Assessed Value per Square Foot
<b>Seattle</b>	54,373	\$88,278,106	\$37.27
<b>Kirkland</b>	6,733	\$7,896,394	\$26.92
<b>Bellevue</b>	20,385	\$22,291,739	\$25.10
<b>Redmond</b>	10,380	\$9,320,369	\$20.61
<b>KC Cities Total</b>	<b>245,814</b>	<b>\$210,353,181</b>	<b>\$19.65</b>
<b>Burien</b>	4,758	\$2,922,767	\$14.10
<b>Renton</b>	11,207	\$6,697,750	\$13.72
<b>Tukwila</b>	3,625	\$1,897,492	\$12.02
<b>SeaTac</b>	6,595	\$3,430,802	\$11.94
<b>Kent</b>	18,592	\$8,830,649	\$10.90
<b>Federal Way</b>	14,425	\$6,502,361	\$10.35
<b>Auburn</b>	13,831	\$4,430,443	\$7.35

<sup>91</sup> See the National Trust Main Street website at <http://www.mainstreet.org/content.aspx?page=2&section=1>.

<sup>92</sup> Data from 2005 King County Annual Growth Report.

<sup>93</sup> See Appendix A for a map of King County sub areas.

<sup>94</sup> The data provide information at the city level, and admittedly are not accurate for specific Urban Centers. However, the numbers do give enough of an idea about the differences among different areas in which Urban Centers are located related to land values.



Lower land values translate to lower costs for the developer in terms of the purchase price for a property. However, land values also represent market demand; lower land values suggest that consumers are not willing to pay as much to live there compared to areas with higher land values. Areas with higher land values are more conducive to dense development, capitalizing on high demand by maximizing the number of units that occupy a given space. Therefore, we would generally expect to see more dense development in Urban Centers with higher land values, following market demand; Centers with lower land values would experience relatively less housing development, and at lower densities.

**Figure 5.5: King County Cities Median Income and Persons Below Poverty Level, 1999<sup>95</sup>**

	Household Median Income	% in poverty
<b>Auburn</b>	\$39,208	12.8%
<b>Tukwila</b>	\$40,718	12.7%
<b>SeaTac</b>	\$41,202	11.5%
<b>Burien</b>	\$41,577	9.4%
<b>Seattle</b>	\$45,736	11.8%
<b>Renton</b>	\$45,820	9.7%
<b>Kent</b>	\$46,046	11.6%
<b>Federal Way</b>	\$49,278	9.3%
<b>King County Average</b>	<b>\$53,157</b>	<b>8.4%</b>
<b>KC Suburban Cities Avg.</b>	<b>No Data</b>	<b>7.4%</b>
<b>Kirkland</b>	\$60,332	5.3%
<b>Bellevue</b>	\$62,338	5.7%
<b>Redmond</b>	\$66,735	5.3%

South King County cities with Urban Centers also exhibit relatively lower median income per household and a higher percentage of people in poverty, as shown in Table 5.5. An exception is found in the City of Seattle, which contains neighborhoods that historically have served lower-income populations. However, as housing prices continue to rise and neighborhoods revitalize, some of these neighborhoods are experiencing gentrification, with many residents moving out of the city to find more affordable

housing alternatives elsewhere, including South King County. Low median income and high poverty rates may deter private developers that study demographic trends in their market analysis to determine project feasibility; private developers are less likely to take on a costly Urban Center redevelopment project if they do not believe that a market exists in the community to support the project at the necessary price points.

While Seattle served as the major economic and cultural hub for the Puget Sound region, many South County cities historically developed as rural farming communities, especially those in the Green River Valley. As suburban development spread out of Seattle and Tacoma in the 20<sup>th</sup> Century, land in the Green River Valley evolved to accommodate manufacturing and

<sup>95</sup> 2005 King County Annual Growth Report.

industrial businesses, and the workforce to support them. The rural and blue-collar nature of these businesses provides lower skilled jobs with relatively lower wages when compared to other job centers. Alternatively, Eastside communities, separated from nearby Seattle by Lake Washington, historically provided vacation destinations for early wealthy Seattle families and established a reputation of prestige. As suburban development spread in the 20<sup>th</sup> Century with the eventual development of bridges across the lake, Eastside communities attracted higher-end households. Ultimately the area became an important center for technology, providing relatively more higher skilled and higher paying jobs.

South County appears stigmatized by its rural and blue-collar industrial roots. Nathan Torgelson notes how the City of Kent has to battle the stereotype of it being a cultural backwater, often lampooned on former local comedy show *Almost Live*.<sup>96</sup> Similarly, Auburn adopted the city motto, *More than You Imagined*, in an attempt to attract new residents and businesses that may be influenced by a negative perception of the community. The negative stereotype of South County communities is a liability to further housing development, particularly in South County Urban Centers. South County cities have already absorbed a large share of lower- and moderate-income housing development. When faced with the possibility of developing housing options in their Urban Centers, these cities may prefer to attract higher end development to balance their existing supply of affordable multi-family units, or may balk at the prospect of multi-family rental units altogether.<sup>97</sup>

But the market for higher-end condos is stronger in Seattle and Eastside communities, which therefore draw greater interest from private sector housing developers. Seattle and Bellevue, as the largest cities in King County, offer more professional, cultural and entertainment amenities. Seattle especially is seen as a “cool” place to live, attracting young urban professionals. Seattle, Bellevue and Redmond also serve as well known major job centers, providing higher incomes for residents and generating higher tax revenues for their cities. With the perception of having more to offer potential residents, the Urban Centers in these cities are more likely to attract housing development than South County cities, because there is proven demand that people are willing to pay more to live there.

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<sup>96</sup> Torgelson interview, 3/16/2006.

<sup>97</sup> Torgelson interview, 3/16/2006.

South County cities with Urban Centers may elect to augment their supply of quality single-family residential housing to attract residents of moderate- and higher-incomes. For instance, Auburn has recently seen significant new housing development outside their Center in Lakeland Hills. The Lakeland Hills development can serve to enhance the city's overall image in the eyes of potential residents, so that market demand may eventually spread to their Urban Center. Although housing units developed at Lakeland Hills appear to occur at the expense of Urban Center housing development and the countywide growth management goal to concentrate housing in Centers rather than at the suburban fringe, it may serve to balance out Auburn's relatively high share of moderate-quality housing and multi-family units, as well as send a signal that Auburn is a viable choice when considering housing options.<sup>98</sup>

In addition to offering consumers improved housing alternatives in general as a precondition for future Urban Center housing development, South County cities may elect to invest public resources toward providing services that are important to potential residents, including schools and police protection. Compared with Eastside communities, South County cities have higher crime rates and generally lower graduation rates as shown in Table 5.6, which may drive potential residents to look elsewhere for housing.<sup>99</sup> Investment in police and schools carries the added benefit of serving the existing residents, in addition to attracting new residents.

**Table 5.6: Crime Rates and Graduation Rates for Suburban Cities with Urban Centers (2005)**

	Crime rate (per 1000 residents)	H.S. Graduation rate (%)
<b>Tukwila</b>	213	50
<b>Auburn</b>	101	72
<b>Renton</b>	96	75
<b>SeaTac</b>	81	63
<b>Kent</b>	73	69
<b>Burien</b>	69	87
<b>Federal Way</b>	67	78
<b>Bellevue</b>	43	89
<b>Redmond</b>	38	90
<b>Kirkland</b>	37	60

There may be untapped demand for Urban Center housing in South County cities, but the negative perception is preventing private developers from recognizing the full potential of development. Cities seeking to encourage a pioneer developer may direct resources toward sponsoring a demonstration project and launching a marketing campaign. As a unique idea, for

<sup>98</sup> Kraus interview, 3/27/2006.

<sup>99</sup> Crime statistics come from the Washington Association of Sheriffs and Police Chiefs, as reported in *Seattle Metropolitan*, April 2006. The statistics cover the period from July 2004 through June 2005. Education information comes from the Washington Superintendent of Public Instruction, as reported in *Seattle Metropolitan*, April 2006.

instance, given their close proximity to the popular IKEA store, a city could explore a relationship with IKEA to construct and furnish BoKlok housing units. IKEA's BoKlok, (translated as "smart living") provides space-saving functional homes of good quality at an affordable price, targeting working people and young families who have been priced out of the open market.<sup>100</sup> The product is suitable for Urban Center housing development in its compact nature, and its goal of affordability makes it suitable for South County Urban Centers, in addition to capitalizing on proximity to the existing store in south Renton, the marketing power of the IKEA brand, and the novelty of the product.

Furthermore, South County cities would benefit from a joint campaign to market themselves and attract potential residents. As an example, the Seattle Southside Visitor Information (SSVI) program is an inter-local agreement between Tukwila, SeaTac, Kent and Des Moines to competitively market South King County as an ideal travel destination for visitors who wish to tour Western Washington.<sup>101</sup> Noting that SeaTac and Tukwila combine for over 25% of the County's hotel rooms but at 20% - 30% lower prices than Seattle, SSVI touts many amenities found in South King County that typically escape notice by most travelers. The inter-local agreement between participating cities stipulates that each city contribute funds to the joint marketing campaign. Although SSVI is geared toward economic development, a similar program may be modified to market South County to potential new residents.

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<sup>100</sup> Admittedly, IKEA's BoKlok product is available only in Europe at the moment. See <http://www.boklok.com/>.

<sup>101</sup> See <http://www.seattlesouthside.com/>.

## CHAPTER 6: AREAS OF FUTURE STUDY

This report has provided an overview of factors that influence private sector housing development, considered some strategies and tools available to cities for encouraging housing development by manipulating key factors, and applied strategies and tools to King County Urban Centers. In general, three overarching factors influence housing development in Urban Centers, relating to the physical site, the policy environment, and the market. Major issues include: the availability of suitable sites for development, the presence of strong leadership and a coherent vision to support an Urban Center housing development agenda, and the existence of adequate consumer demand for Urban Center housing products at the necessary price points to cover the costs of private sector housing development.

In the process of broadly covering fifteen Centers in King County, however, significant room remains for future study, for which this report hopefully serves as a useful foundation. In order for public sector decision makers to attempt to encourage housing development in Urban Centers within their jurisdiction, they require more information in the following two areas: in-depth and comprehensive analysis of the factors that influence development within their unique context; and a way to measure their progress toward goals for housing development. Finally, this report focused exclusively on market rate private sector housing development. Urban Centers present opportunities for affordable housing that could be explored.

### *Case studies to provide in-depth and comprehensive analysis of individual Centers*

Each Urban Center is unique, requiring in-depth and comprehensive analysis in order to understand the factors that influence housing development in their bounds. Where this report typically managed to interview just one representative per Center, a focus on an individual Center would provide opportunities to reach a broader and deeper group of stakeholders during the interview process. In addition, a focused study would expose more statistical details about Urban Center development in order to shed light on the nuances that distinguish a specific Center and its related issues from other Centers.

### *Evaluation of alternatives for measuring progress toward Urban Center housing objectives*

The current metric does not provide an adequate way to measure progress toward the housing target specified in the CPPs, which specify a deadline that is 20 years away. The

trajectory of Urban Center progress may naturally start slow in certain Centers that have more factors aligned to inhibit housing development, and then increase dramatically over time. Therefore, it is difficult to judge whether current housing development rates reflect the County's ability to meet a 20 year goal.

Furthermore, the target is held by all Urban Centers collectively, so we cannot adequately judge the contribution of individual Centers. No doubt this was intentional, given the desire to maintain local authority and to avoid finger pointing. But the trouble is that we cannot tell if any Centers are doing well or poorly, we can only tell how many new units are built in them each year. This is not a good indicator of progress because comparing Centers is like comparing apples and oranges. For example, Downtown Seattle gained over 5,100 new housing units, representing an increase of 45% between 1995 and 2004. On the other hand, Federal Way displays the highest growth rate by an Urban Center, with a 323% change over the period, although it only gained around 650 units. A better measure of performance would include targets tailored to individual centers.<sup>102</sup> These issues are important since policy makers need to know how well individual Centers are progressing before assessing whether options for encouraging Center development are necessary or worth the cost.

Finally, the type of development sought for Urban Centers, compact mixed-use development around transit, is occurring outside of Urban Centers. For example, along the LINK light rail line through the Rainier Valley, new housing units are concentrated in station areas. Although the objective of the CPPs state that 25% of the County's new housing over the next 20 years shall be concentrated in designated Urban Centers, there is some concern that "good development" consistent with the Urban Center vision will count against meeting the CPP objectives because it is occurring outside Centers. A useful study would evaluate where new housing growth is occurring, and what kind of development it is. This would allow the County to reevaluate its objective for housing development in Urban Centers, perhaps taking into consideration that its vision for Centers is being achieved in other areas.

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<sup>102</sup> One possible solution is to have each city determine the amount of new housing would be forecast for its own Center by delegating a portion of the housing it is already planning on taking as mandated by the CPPs. Individual cities could then project a target trajectory of housing growth, suited to the circumstances of each individual Center.

### Presentation of opportunities for affordable housing

This report kept focus on private sector housing development, though there may be opportunities for public agencies like a Community Development Corporation or Housing Authority to build affordable units. Because property values are relatively high in Eastside and Seattle Urban Centers, private development is more likely to provide market rate housing to meet proven demand. However, affordable housing alternatives could be explored to balance out the supply of housing stock and provide homes for a mix of incomes. In South County cities, which already carry a significant share of affordable housing, there may be resistance to taking on an additional share. However, developers of affordable housing may have more tools at their disposal to make housing projects feasible, and could provide the housing that private sector developers shy away from. This could be especially useful where pioneer development is sought to demonstrate what housing could look like in the Urban Center, while at the same time providing housing alternatives for people that may otherwise be priced out of housing elsewhere.

In addition, developers of affordable housing could take advantage of sites that are less attractive to other developers, including near freeways, railroad tracks, power lines, or commercial strip development. For example, the Kent Urban Center features a large Metro Park-and-Ride lot between Hwy 167 and the railroad tracks. The site is less conducive to market rate housing because the adjacent land use is seen as a nuisance that inhibits demand for the location.<sup>103</sup> The site could provide an opportunity for a CDC like HomeSight, which operates broadly in the Seattle region, to develop affordable housing for lower income home buyers. Because HomeSight provides affordable housing for sale rather than for lease, this might pique the interest of city leaders that are wary of adding more multi-family affordable units in their Center. Finally, because the lot is owned by Metro, the CDC could partner with Metro on the project to help defray the cost of land. Metro similarly partnered with the King County Housing Authority and others to develop the Village at Overlake, a transit-oriented development on a Metro-owned Park-and-Ride lot.<sup>104</sup>

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<sup>103</sup> Torgelson interview, 3/16/2006.

<sup>104</sup> See *The Village at Overlake Station* page on Metro's website: <http://www.metrokc.gov/kcdot/transit/tod/overlake.stm>.

## APPENDIX

APPENDIX A: GROWTH MANAGEMENT MAP OF KING COUNTY .....	SEE ATTACHED APPENDICES
APPENDIX B: MAP OF KING COUNTY CITIES BY POPULATION (2002) .....	SEE ATTACHED APPENDICES
APPENDIX C: URBAN CENTER REPORTS.....	SEE ATTACHED APPENDICES
APPENDIX D: STAKEHOLDER INTERVIEWS .....	SEE ATTACHED APPENDICES
APPENDIX E: LIST OF USEFUL WEBSITES .....	SEE ATTACHED APPENDICES